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, 2019 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	Trading Symbol	Name of each exchange on which registered
Common Shares	NOA	Toronto Stock Exchange
Common Shares	NOA	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.

27,502,912 Common Shares

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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, 2019 is attached as Exhibit 99.2 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, 2019, including the report of the independent registered public accounting firm with respect thereto, are attached as Exhibit 99.3 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, 2019 is attached as Exhibit 99.4 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, 2019, which is attached as Exhibit 99.4 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, 2019, which is attached as Exhibit 99.4 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 99.3 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, 2019, which is attached as Exhibit 99.4 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, and Mr. John Pollesel, a member of the Registrant’s audit committee, are each an “audit committee financial expert” (as such term is defined by the rules and regulations of the Securities and Exchange Commission) and is each “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, 2019 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, 2019 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, 2019, which is attached as Exhibit 99.2 to this Annual Report on Form 40-F and is incorporated herein by reference.

OFF-BALANCE SHEET ARRANGEMENTS

We currently do not have any off-balance sheet arrangements.

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, 2019, which is attached as Exhibit 99.4 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, 2019, which is attached as Exhibit 99.2 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

Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act is set out under the heading “U.S. Mine Safety Disclosure” in the Registrant’s Annual Information Form for the fiscal year ended December 31, 2019, which is attached as Exhibit 99.2 to this Annual Report on Form 40-F and is incorporated herein by reference.

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.

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 19, 2020

DOCUMENTS AND EXHIBIT INDEX

99.1	North American Construction Group Ltd. Announces Results for the Year Ended December 31, 2019.
99.2	Annual Information Form for the fiscal year ended December 31, 2019.
99.3	Audited Annual Consolidated Financial Statements for the fiscal year ended December 31, 2019.
99.4	Management's Discussion and Analysis for the fiscal year ended December 31, 2019.
99.5	Consent of KPMG LLP.
99.6	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934.
99.7	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934.
99.8	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.
99.9	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

News Release

North American Construction Group Ltd. Announces Results for the Fourth Quarter and Year Ended December 31, 2019

ACHESON, Alberta, February 19, 2020 - North American Construction Group Ltd. ("NACG")(TSX:NOA/NYSE:NOA) today announced results for the fourth quarter and year ended December 31, 2019.

Financial Highlights of the Fourth Quarter and Year Ended December 31, 2019

- Revenue for the quarter was $189.5 million, compared to $131.0 million for the same period in the prior year, an increase of $58.5 million (or 45%).
- Full year revenue was $719.1 million, compared to $410.1 million for the prior year, an increase of $309.0 million (or 75%).
- Adjusted EBITDA for the quarter was $47.8 million, compared to $28.4 million for the same period in the prior year, an increase of $19.3 million (or 68%).
- Full year adjusted EBITDA was $174.2 million, compared to $101.8 million for the prior year, an increase of $72.4 million (or 71%).
- Adjusted EPS for the quarter was $0.38, compared to $0.18 for the prior year, an increase of $0.20 (or 111%).
- Full year adjusted EPS was $1.72, compared to $0.99 for the prior year, an increase of $0.73 (or 74%).
- Full year free cash flow was $25.6 million, compared to $60.7 million for the prior year, a decrease of $35.1 million (or 58%).
- Senior debt at year-end was $296.4 million, compared to $321.5 million for the prior year, a decrease of $25.1 million (or 8%).

NACG Chairman and CEO, Martin Ferron, commented: "We entered 2019 with the expectation to achieve adjusted EBITDA of $160 million and adjusted EPS of $1.60 and so we are delighted to have exceeded these stretch targets, despite many challenges. We successfully integrated the two significant acquisitions made in late 2018 and overcame the negative impacts of the imposed Alberta oil production curtailment program, together with an early spring break up and an extremely wet August."

Mr. Ferron added "Early in 2020, we remain in solid growth mode with expectations of more than 15% improvements in both adjusted EBITDA and EPS, with the exciting dual targets of $200 million and $2.00 respectively, firmly within our reach. Also, importantly we anticipate that this year will be marked by strong cash flow generation and further diversification by natural resource, customer and geography."

Other Highlights of the Year Ended December 31, 2019

- On March 20, 2019, we issued $55.0 million in aggregate principal amount of 5.00% convertible unsecured subordinated debentures which mature on March 31, 2026. The annual interest rate of 5.00% is payable semi-annually on March 31 and September 30 of each year, commencing September 30, 2019.

- On June 21, 2019, a mine management services agreement for a coal mine operation in Wyoming, USA was executed.
- On August 7, 2019, we announced a change to our dividend policy whereby the regular dividend was doubled to $0.16 per common share per year, payable on a quarterly basis, up from the previous rate of $0.08 per year.
- On August 8, 2019, we announced the appointments of Maryse Saint-Laurent and Kristina Williams to the Board of Directors.
- In December 2019, the first rebuilds of heavy equipment haul trucks (CAT 793 and 797) from cores were completed in our primary maintenance facility in Acheson.
- Total Recordable Incident Rate ("TRIR") in 2019 was again below 0.5, indicating top decile safety management performance.

Early 2020 Highlights

- In January 2020, construction of a component rebuild shop in Acheson was completed to enhance maintenance capabilities for both our internal need and external customers.
- On January 30, 2020, a management services agreement for coal mine operation in Texas, USA was executed with formal handover from the existing manager expected in Q2 2020.

Declaration of Quarterly Dividend

On February 18, 2020, the NACG Board of Directors declared a regular quarterly dividend (the “Dividend”) of four Canadian cents ($0.04) per common share, payable to common shareholders of record at the close of business on March 5, 2020. The Dividend will be paid on April 3, 2020 and is an eligible dividend for Canadian income tax purposes.

Consolidated Financial Highlights

	Three months ended December 31,		Year ended December 31,	
(dollars in thousands, except per share amounts)	2019	2018	2019	2018
Revenue	$ 189,455	$ 131,001	$ 719,067	$ 410,061
Project costs	66,091	48,094	277,646	152,943
Equipment costs	69,960	46,424	243,427	129,692
Depreciation	28,327	18,179	101,582	58,350
Gross profit	**$ 25,077**	**$ 18,304**	**$ 96,412**	**$ 69,076**
Gross profit margin	13.2%	14.0%	13.4%	16.8%
General and administrative expenses (excluding stock-based compensation)	7,639	8,034	27,491	25,578
Stock-based compensation expense	1,754	2,509	9,443	11,532
Interest expense, net	5,498	3,444	21,623	8,584
Net income and comprehensive income available to shareholders	$ 8,242	$ 2,656	$ 36,878	$ 15,286
Adjusted EBITDA[(i)(ii)]	$ 47,789	$ 28,442	$ 174,229	$ 101,834
Adjusted EBITDA margin[(i)]	25.2%	21.7%	24.2%	24.8%
Per share information				
Basic net income per share	$ 0.32	$ 0.11	$ 1.45	$ 0.61
Diluted net income per share	$ 0.28	$ 0.10	$ 1.23	$ 0.54
Adjusted EPS[(i)]	$ 0.38	$ 0.18	$ 1.72	$ 0.99

[(i)] See “Non-GAAP Financial Measures”.

[(ii)] In the three months ended December 31, 2019 we changed the calculation of Adjusted EBITDA. This change has not been reflected in results prior to the three months ended December 31, 2019. Applying this change to previously reported periods would result in respective increases in Adjusted EBIT and Adjusted EBITDA of $0.8 million and $0.9 million for the year-ended December 31, 2019 and $0.1 million and $0.1 million for the three months ended and year-ended December 31, 2018.

Results for the Three Months and Year Ended December 31, 2019

For the three months ended December 31, 2019, revenue was $189.5 million, up from $131.0 million in the same period last year. The revenue growth was attributable to both the strong

ramp up of winter work programs at the Millennium Mine and new work at the Fort Hills and Aurora mines acquired from the heavy equipment fleet purchase in Q4 2018. New volumes this quarter included mine services and reclamation work at the Aurora and Mildred Lake Mines, which was generated from backlog subsequent to the asset acquisition. Adding to the strong quarter was revenue generated from our external maintenance services as we completed the rebuild of two haul trucks and one loader. These increases were partially offset by a reduction in scope at the Kearl Mine and reduced activity at the Highland Valley Copper Mine as the project ended in late Q4.

For the year ended December 31, 2019, revenue was $719.1 million, up from $410.1 million for the year ended December 31, 2018. The increase of 75.4% in revenue was achieved through our expanded fleet, new civil construction services at Mildred Lake, mine support services at the Millennium Mine and increases in overburden removal activity from the new ultra-class fleet. Heavy civil construction work assumed from the Fort Hills legacy contracts was completed in late Q4. We experienced reduced tailings pond support activity at the Millennium Mine, which was offset by the three-year mining support services contract secured in Q1 2019. New volumes in the year included mine services and reclamation work at the Aurora Mine and overburden stripping work at the Kearl Mine. Furthermore, throughout the year and culminating in Q4, we saw continued expansion of our external maintenance service as we complete major rebuilds for mining clients. These increases were partially offset by higher mine support activity in 2018 at the Highland Valley Copper Mine. Revenue from Nuna of $37.0 million is diversified across several areas of expertise, including summer season project execution work, winter road construction, site services, drilling support and mine remediation. Reported gross revenue from Nuna ended on October 31, 2019 due to a corporate reorganization, at which point reported revenue for November and December was netted against cost in equity earnings.

For the three months ended December 31, 2019, gross profit was $25.1 million, or 13.2% of revenue, up from a gross profit of $18.3 million but down from 14.0% of revenue during the same period last year. The higher gross profit in the current period was primarily driven by the higher revenue in the current year. The slight decrease in margin was driven by a reduction of tailings pond support activity and sub-optimal operating conditions at certain mines. Additionally, margins continue to be impacted by increased repair and maintenance costs related to the fleet acquired in Q4 2018.

For the year ended December 31, 2019, gross profit was $96.4 million, or 13.4% of revenue, up from $69.1 million but down from 16.8% of revenue in the previous year. The improvement in gross profit was a direct result of the revenue growth in the current year. The decrease in gross profit margin was driven by the early and abrupt spring breakup, the difficult operating conditions in July and August from the consistent rainfalls and the reduction of tailings pond support activities at the Millennium Mine. Additionally, margins were negatively impacted by increased equipment maintenance activities on our recently acquired equipment fleet to bring them up to our operating standards. Partially offsetting these decreases was gross profit earned from six months of the operations support contract at a coal mine in Wyoming and the full year of strong margins achieved by Nuna. The external maintenance offering also had a noticeable positive impact to the year as it contributed strong gross profit margins with the completion and delivery of rebuilt haul trucks, loaders and track frames during the year.

For the three months ended December 31, 2019, depreciation was $28.3 million (or 15.0% of revenue), up from $18.2 million (or 13.9% of revenue) in the same period last year. Depreciation for the year ended December 31, 2019 was $101.6 million (14.1% of revenue), up from $58.4 million (14.2% of revenue) for the year ended December 31, 2018. Our continued improvements

to component maintenance and performance benefitted depreciation but the condition of the components of the heavy equipment fleet acquired in 2018 led to our Q4 2018 and full year 2019 rates being slightly higher than expected.

For the three months ended December 31, 2019, operating income was $15.3 million, compared to operating income of $7.5 million during the same period last year. G&A expense (excluding stock-based compensation expense) was $7.6 million, or 4.0% of revenue for the three months ended December 31, 2019, down from $8.0 million, or 6.1% of revenue in the same period last year. The slight decrease in the quarter was due to the acquisition activities that took place in Q4 2018.

For the year ended December 31, 2019, operating income was $58.8 million, up from $30.0 million for the year ended December 31, 2018. G&A expense (excluding stock-based compensation expense) was $27.5 million for the year ended December 31, 2019, or 3.8% of revenue. This was slightly up from $25.6 million for the year ended December 31, 2018, but as a percentage of revenue was down from 6.2% recorded in that year. The year-over-year gross increase reflects routine salary increases as well as a slightly higher administrative headcount level required to support our larger fleet and expanded services in external maintenance and mine management.

For the three months ended December 31, 2019, net income and comprehensive income available to shareholders was $8.3 million (basic income per share of $0.32 and diluted income per share of $0.28), compared to a net income of $2.7 million (basic income per share of $0.11 and diluted income per share of $0.10) during the same period last year.

For the year ended December 31, 2019, net income and comprehensive income available to shareholders was $36.9 million (basic income per share of $1.45 and diluted income per share of $1.23), compared to net income and comprehensive income available to shareholders of $15.3 million (basic income per share of $0.61 and diluted income per share of $0.54) during the same period last year.

Basic and diluted income per share in the current period was partially affected by the increase in issued and outstanding common shares (27,502,912 as at December 31, 2019 compared to 27,088,816 outstanding voting common shares as at December 31, 2018).

Cash provided by operating activities prior to change in working capital for the three months ended December 31, 2019 was $45.0 million, compared to cash provided by operating activities prior to change in working capital of $26.6 million in for the three months ended December 31, 2018. Cash provided by operating activities prior to change in working capital for the year ended December 31, 2019 was $149.4 million, compared to cash provided by operating activities prior to change in working capital of $95.2 million in for the year ended December 31, 2018. The increase in cash flow in the current year is a result of increases in adjusted EBITDA, offset by lower cash from working capital due to the timing of working capital balances.

We have prepared our consolidated financial statements in conformity with accounting principles generally accepted in the United States ("US GAAP"). Unless otherwise specified, all dollar amounts discussed are in Canadian dollars. Please see the Management's Discussion and Analysis ("MD&A") for the quarter and year ended December 31, 2019 for further detail on the matters discussed in this release. In addition to the MD&A, please reference the dedicated Q4 2019 Results Presentation for more information on our results and projections which can be found on our website under Investors - Presentations.

Conference Call and Webcast

Management will hold a conference call and webcast to discuss our financial results for the quarter ended December 31, 2019 tomorrow, Thursday, February 20, 2020 at 9:00 am Eastern Time (7:00 am Mountain Time).

The call can be accessed by dialing:

Toll free: 1-877-291-4570
International: 1-647-788-4919

A replay will be available through March 20, 2020, by dialing:

Toll Free: 1-800-585-8367
International: 1-416-621-4642
Conference ID: 4952749

A slide deck for the webcast will be available for download on the company's website at www.nacg.ca/presentations/

The live presentation and webcast can be accessed at:

www.nacg.ca/conference-calls/

For those unable to listen live, a replay will be available using the link provided above until March 20, 2020.

Non-GAAP Financial Measures

This release contains 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 US GAAP measures. In this release, non-GAAP financial measures are used, such as "gross profit", "adjusted net earnings", "adjusted EBIT", "equity investment EBIT", "adjusted EBITDA", "equity investment depreciation and amortization", "adjusted EPS", "margin", "senior debt", "cash provided by operating activities prior to change in working capital" and "free cash flow."

"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. 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.

"Adjusted net earnings" is defined as net income and comprehensive income available to shareholders excluding the effects of unrealized foreign exchange gain or loss, realized and unrealized gain or loss on derivative financial instruments, cash and non-cash (liability and equity classified) stock-based compensation expense, gain or loss on disposal of property, plant and equipment and certain other non-cash items included in the calculation of net income.

"Adjusted EBIT" is defined as adjusted net earnings before the effects of interest expense, income taxes and equity earnings in affiliates and joint ventures, but including the equity investment EBIT from our affiliates and joint ventures accounted for using the equity method.

“Equity investment EBIT” is defined as our proportionate share (based on ownership interest) of equity earnings in affiliates and joint ventures before the effects of gain or loss on disposal of property, plant and equipment, interest expense and income taxes.

“Adjusted EBITDA” is defined as adjusted EBIT before the effects of depreciation, amortization and equity investment depreciation and amortization.

“Equity investment depreciation and amortization” is defined as our proportionate share (based on ownership interest) of depreciation and amortization from our affiliates and joint ventures accounted for using the equity method.

We believe that adjusted EBIT and adjusted EBITDA are meaningful measures of business performance because they exclude items that are not directly related to the operating performance of our business. Management reviews these measures to determine whether property, plant and equipment are being allocated efficiently.

"Adjusted EPS" is defined as adjusted net earnings, divided by the weighted-average number of common shares.

As adjusted EBIT, adjusted EBITDA, adjusted net earnings and adjusted EPS are non-GAAP financial measures, our computations may vary from others in our industry. These measures 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 adjusted 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.

"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 margin", or "adjusted EBITDA 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.

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.

"Senior debt" is defined as total debt, excluding convertible debentures, deferred financing costs, mortgages related to NACG Acheson Ltd. and debt related to investment in affiliates and joint ventures.

"Cash provided by operating activities prior to change in working capital" is defined as cash used in or provided by operating activities excluding net changes in non-cash working capital.

"Free cash flow" is defined as cash from operations less cash used in investing activities (including finance lease additions but excluding cash used for growth capital expenditures, cash used for / provided by acquisitions and proceeds from equipment sale and leaseback). We believe that 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 potential strategic initiatives.

A reconciliation of net income and comprehensive income available to shareholders to adjusted net earnings, adjusted EBIT and adjusted EBITDA is as follows:

	Three months ended December 31,		Year ended December 31,	
(dollars in thousands)	2019	2018	2019	2018
Net income and comprehensive income available to shareholders	$ 8,242	$ 2,656	$ 36,878	$ 15,286
Adjustments:				
Loss (gain) on disposal of property, plant and equipment	259	178	(31)	(158)
Stock-based compensation expense	1,754	2,509	9,443	11,532
Restructuring costs	—	—	1,442	—
Pre-2019 inventory correction	—	—	(2,775)	—
Loss on sublease	—	—	—	1,732
Loss on legacy claim settlement	—	—	1,235	—
Tax effect of the above items	(534)	(725)	(2,468)	(3,539)
Adjusted net earnings[(i)]	**$ 9,721**	**$ 4,618**	**$ 43,724**	**$ 24,853**
Adjustments:				
Tax effect of the above items	534	725	2,468	3,539
Interest expense, net	5,498	3,444	21,623	8,584
Income tax expense	2,370	1,424	2,858	6,096
Equity earnings in affiliates and joint ventures[(ii)]	(795)	—	(795)	—
Equity investment EBIT[(i)]	1,143	—	1,143	—
Adjusted EBIT[(i)(ii)]	**$ 18,471**	**$ 10,211**	**$ 71,021**	**$ 43,072**
Adjustments:				
Depreciation	28,327	18,179	101,582	58,350
Amortization of intangible assets	76	52	711	412
Equity investment depreciation and amortization[(i)(ii)]	915	—	915	—
Adjusted EBITDA[(i)(ii)]	**$ 47,789**	**$ 28,442**	**$ 174,229**	**$ 101,834**

[(i)] See “Non-GAAP Financial Measures”.

[(ii)] In the three months ended December 31, 2019 we changed the calculation of adjusted EBITDA. This change has not been reflected in results prior to the three months ended December 31, 2019. Applying this change to previously reported periods would result in respective increases in adjusted EBIT and adjusted EBITDA of $0.8 million and $0.9 million for the year-ended December 31, 2019 and $0.1 million and $0.1 million for the three months ended and year-ended December 31, 2018.

We have included equity investment EBITDA in the calculation of adjusted EBITDA beginning in the fourth quarter of 2019. Below is a reconciliation of the amount included in adjusted EBITDA for the three months and year ended December 31, 2019.

	Three months ended December 31,	Year ended December 31,
(dollars in thousands)	2019	2019
Equity earnings in affiliates and joint ventures	$ 795	$ 795
Adjustments:		
Interest expense, net	44	44
Income tax expense	316	316
Gain on disposal of property, plant and equipment	(12)	(12)
Equity investment EBIT[(i)(ii)]	**$ 1,143**	**$ 1,143**
Depreciation	$ 836	$ 836
Amortization of intangible assets	79	79
Equity investment depreciation and amortization[(i)(ii)]	**$ 915**	**$ 915**

[(i)] See "Non-GAAP Financial Measures"

[(ii)] In the three months ended December 31, 2019 we changed the calculation of adjusted EBIT and adjusted EBITDA due to the reorganization of the NL Partnership. This change has not been reflected in results prior to the three months ended December 31, 2019. Applying this change to previously reported periods would result in respective increases in adjusted EBIT and adjusted EBITDA of $0.8 million and $0.9 million in 2019 and $0.1 million and $0.1 million in 2018.

Forward-Looking Information

The information provided in this release contains forward-looking statements. Forward-looking statements include statements preceded by, followed by or that include the words “anticipate”, “believe”, “expect”, “should” or similar expressions. Forward looking statements include the statements that we expect more than 15.0% improvements in both adjusted EBITDA and EPS in 2020, with targets of $200 million and $2.00 respectively and that we anticipate strong cash flow generation and further diversification by natural resource, customer and geography in 2020.

The material factors or assumptions used to develop the above forward-looking statements include, and the risks and uncertainties to which such forward-looking statements are subject, are highlighted in the MD&A for the quarter and year ended December 31, 2019. Actual results could differ materially from those contemplated by such forward-looking statements because of any number of factors and uncertainties, many of which are beyond NACG’s control. Undue reliance should not be placed upon forward-looking statements and NACG undertakes no obligation, other than those required by applicable law, to update or revise those statements. For more complete information about NACG, please read our disclosure documents filed with the SEC and the CSA. These free documents can be obtained by visiting EDGAR on the SEC website at www.sec.gov or on the CSA website atwww.sedar.com.

About the Company

North American Construction Group Ltd. (www.nacg.ca) is one of Canada’s largest providers of heavy civil construction and mining contractors. For more than 65 years, NACG has provided services to large oil, natural gas and resource companies.

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NORTH AMERICAN CONSTRUCTION GROUP

EXHIBIT 99.2

ANNUAL INFORMATION FORM

FEBRUARY 19, 2020



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ANNUAL INFORMATION FORM

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Annual Information Form

February 19, 2020

A. EXPLANATORY NOTES

The information in this Annual Information Form ("AIF") is stated as at December 31, 2019*, unless otherwise indicated. For an explanation of specific terms used in our documents, please refer to the "Glossary of Terms" in this AIF. All references in this AIF to "we", "us", or the "Company", unless otherwise specified, mean North American Construction Group Ltd. and its Subsidiaries (as defined below). Except where otherwise specifically indicated, all dollar amounts are expressed in Canadian dollars. The audited consolidated financial statements and notes for the year ended December 31, 2019 and the annual Management's Discussion and Analysis ("MD&A") are available on SEDAR at* www.sedar.com*, on EDGAR at* www.sec.gov *and our company website at* www.nacg.ca.

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. 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.

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 two of its wholly-owned subsidiaries. The amalgamated entity took the name "North American Energy Partners Inc.". On April 11, 2018, the Company changed its name to "North American Construction Group Ltd.". Under the Company's Articles of Amalgamation and Bylaws, there are no restrictions on the business the Company may carry on.

The Company's head office is located at 27287 - 100 Avenue, Acheson, AB, T7X 6H8. Its registered office is 2700, 10155 - 102 Street, Edmonton, AB, T5J 4G8.

Subsidiaries

The Company's business is primarily carried out by five directly-held wholly-owned subsidiaries: North American Construction Holdings Inc., North American Construction Management Ltd., North American Fleet Company Ltd., NACG Acheson Ltd. and NACG Properties Inc., as well as by seven wholly-owned subsidiaries of North American Construction Holdings Inc.: North American Engineering Inc., North American Enterprises Ltd., North American Maintenance Ltd., North American Mining Inc., North American Services Inc., North American Site Development Ltd. and North American Tailings and Environmental Ltd. The Company and North American Construction Management Ltd. are corporations subsisting under the *Canada Business Corporations Act*. All of the other subsidiaries are corporations subsisting under the *Business Corporations Act* (Alberta).

The Company has subsidiaries not included above, but the total assets and revenues of such subsidiaries do not, individually, constitute more than 10% of the consolidated assets or consolidated revenues of the Company or, in aggregate, constitute more than 20% of the consolidated assets or consolidated revenues of the Company as at December 31, 2019.

C. OUR BUSINESS

General Development of the Business

2020

In January 2020, we opened a newly constructed component rebuild facility on land adjacent to the Acheson maintenance facility and head office. We continue to enhance our internal equipment maintenance capabilities and grow our external equipment maintenance. This five-bay facility was custom designed with the primary objective of rebuilding used components for heavy equipment in the mining industry. While providing low-cost zero-hour components, the facility also creates much needed capacity in our primary maintenance facility to allow for its intended use of rebuilding and maintaining both our heavy equipment fleet and the fleets of external customers. In addition, the Nuna Group of Companies will be utilizing this facility for its maintenance needs as well as required kitting and logistics activities for projects in northern Canada.

On January 30, 2020, we executed a five-year Management Services Agreement to operate a thermal coal mine in Texas, USA. The transition from the current operator is underway with the formal handover expected in June 2020. This long-term agreement builds on our mine management offering as did the similar five-year management services agreement of a coal mine in Wyoming, USA which was signed in June 2019.

2019

Total Recordable Incident Rate ("TRIR") in 2019 for the Company was again below 0.5, indicating top decile safety management performance.

On June 21, 2019, we executed a five-year Management Services Agreement to operate a thermal coal mine in Wyoming, USA which serves an adjacent power plant. The agreement was part of a structured bankruptcy process and is indirectly supported by a long-term coal supply agreement between the mine owner and the power producer.

In December 2019, the first rebuilds of heavy equipment haul trucks (CAT 793 and 797) from cores were completed in our primary maintenance facility in Acheson.

Financing

On March 20, 2019, we issued $55.0 million in aggregate principal amount of 5.00% convertible unsecured subordinated debentures which mature on March 31, 2026. The annual interest rate of 5.00% is payable semi-annually on March 31 and September 30 of each year, commencing September 30, 2019.

Dividends

On August 7, 2019, we announced an increase to our dividend policy whereby our regular dividend will be increased to $0.16 per common share per year, payable on a quarterly basis, up from the current $0.08 per year.

Officer and Director Changes

On August 8, 2019, we announced the appointments of Maryse C. Saint-Laurent and Kristina E. Williams to our board of directors. William C. Oehmig did not stand for re-election as a director at the annual general meeting of shareholders held on May 1, 2019.

2018

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 acquisition provides the Company with customer, revenue and geographic diversification while also reducing the overall capital intensity of the business. It is proving to be mutually beneficial to both ourselves and Nuna through access to broader equipment fleets, experienced field personnel and expanded services.

On November 23, 2018, we closed the acquisition of a heavy equipment fleet for $198.0 million. The purchase agreement included an initial payment of $150.8 million and the assumption of $12.6 million in finance leases and equipment related promissory notes from the vendor. The expansion of our fleet has enabled us to expand our core service offerings, entering into several term contracts with customers that we otherwise would not have had sufficient equipment to perform without using costlier rental equipment.

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 us and our clients. The new facility is part of our strategy to enhance our internal equipment maintenance capabilities while also growing our external equipment maintenance business.

In November 2018, we entered into a newly formed partnership, the Mikisew North American Limited Partnership ("Mikisew partnership"), 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.

Financing

On November 23, 2018, concurrent with the closing of the acquisition of a heavy equipment fleet, we entered into an upsized Amended and Restated Credit Agreement (the "Credit Facility") with our banking syndicate led by National Bank Financial Inc. The Credit Facility is consistent with previously existing terms, maintains attractive rates and provides sufficient flexibility to allow for significant heavy construction equipment fleet acquisition, including the 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). The facility matures on November 23, 2021, with an option to extend on an annual basis. The Credit Facility also allows for a finance 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 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.

Officer and Director Changes

On September 10, 2018, Jason W. Veenstra was appointed to our Management team as Executive Vice President and Chief Financial Officer. On November 28, 2018, Barry W. Palmer became Senior Vice President, Operations, Jordan A. Slator became Vice President and General Counsel and David G. Kallay became Vice President, Health, Safety, Environment and Human Resources.

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. Through a wholly owned subsidiary, we hold a 49% interest in the partnership while Dene Sky holds a 51% interest.

During 2017, we expanded our service offerings to include heavy equipment maintenance for our customers. Maintenance has become one of our core competencies and customers are trending towards rebuilding existing equipment rather than buying new.

Financing

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. The annual interest rate of 5.50% is payable semi-annually on March 31 and September 30 of each year, commencing September 30, 2017.

On August 1, 2017, we entered into a new credit facility agreement with a banking syndicate led by National Bank Financial Inc., replacing our previous Sixth Amended and Restated Credit Agreement (the "Previous Credit Facility"). The new facility provided 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). The facility allowed for a finance lease limit of $100.0 million (an increase from the $90.0 million limit under the Previous Credit Facility).

Officer and Director Changes

On November 23, 2017, we announced the appointment of John J. Pollesel to our board of directors. On October 31, 2017, 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. On the same date, 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 and Bryan D. Pinney assumed the role of Lead Director of the Board.

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 but also in other parts of Canada and the United States. Our services are primarily focused on supporting the construction and operation of surface mines. We are considered to be a “first-in, last-out” service provider because we provide services through the entire lifecycle of 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, underground utility installation and mine infrastructure construction, including construction of tailings ponds, access roads, stabilized earth walls and earth dams. 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, material hauling and land reclamation.

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 have been providing operations support services to five producers currently mining bitumen in the oil sands since the inception of their respective projects. Our services are typically provided pursuant to non-exclusive master service agreements or multiple use agreements that set out contractual terms over three-to-five year periods. At present we have such agreements, with existing terms expiring between 2020 and 2023, with Suncor Energy Services Inc. for its Base Mine Millennium and North Steepbank projects, Fort Hills Energy LP for its Fort Hills Mine, Syncrude Canada for its Mildred Lake Mine and Aurora Mine, Imperial Oil Limited for its Kearl Mine and Canadian Natural Resources Limited for its Horizon Mine. These agreements do not necessarily guarantee any particular volume of work, but we have had recent success in securing a significant volume of committed work under several of them (see the “Backlog” section of our annual MD&A, which section is expressly incorporated by reference into this AIF). Historically, we have been able to renew or renegotiate our master service agreements and multiple use agreements with major producers as they expire. We don’t anticipate that changing, as production at commissioned mines in the region continues to operate at a steady state and expected run-of-mine projections at the major sites averages over 30 years of remaining life.

Our work in the oil sands occurs year-round, though it tends to peak during the winter months when muskeg is frozen and can be more efficiently moved, with work typically slowing somewhat in the summer months. A consequence of that is that our business is also affected by the timing of spring thaw and autumn freeze in the oil sands region, with the spring thaw usually being the most variable. That variability can affect the timing of our revenues, particularly in the third quarter. Our non-oil sands business is less affected by such seasonality.

In addition to our construction services, we also provide heavy equipment maintenance and rebuild services to mining companies and other heavy equipment operators. Our maintenance personnel have specialized skills in working with equipment subjected to the difficult operating conditions of the oil sands. Those specialized skills, combined with our new purpose-built facilities, provide us with the ability to provide a high level of maintenance services in a cost effective manner to our external customers. While the heavy equipment maintenance portion of our business is currently relatively small, we intend to grow that business over the next few years.

In late 2018, we completed the acquisition of a 49% ownership interest in the Nuna Group of Companies. Nuna’s revenue is entirely outside of the Fort McMurray region, with its focus being on commodities such as base metals, precious metals and diamonds as well as infrastructure-related projects that involve major earthworks. Nuna is a well-established incumbent contractor in Nunavut and the Northwest Territories and successfully completed major projects in Ontario, Saskatchewan and British Columbia. Nuna’s peak business activity occurs during the summer months and slows in the winter.

Fleet and Equipment

As of December 31, 2019, we directly operated a heavy equipment fleet of 686 units; 57% were owned, 32% were leased and 11% were rented. This fleet is supported by over 1,450 pieces of ancillary equipment. In addition to this, the joint ventures we operate have a combined owned fleet of over 150 pieces of heavy equipment.

We have a modern, well-maintained fleet of equipment to service our clients' needs. We operate a significant number of trucks larger than 240 tons in capacity which gives us a distinct competitive advantage over competitors with respect to both specialized skill base and equipment availability. The size and diversity of our fleet gives us the ability to respond on short notice and provide customized fleet solutions for each specific job. Our equipment

strategy allows us to meet our customers' variable service requirements while balancing the need to maximize equipment utilization.

As of December 31, 2019, our owned and leased fleet (excluding rentals) is comprised of the following categories:

Category	Capacity Range	Horsepower Range	Number Owned	Number Leased
Mining trucks	40 to 400 tons	476 - 2,700	176	91
Articulating trucks	30 to 40 tons	305 - 406	3	23
Loaders	1.5 to 16 cubic yards	110 - 690	46	5
Shovels	18-80 cubic yards	1,300 - 3,760	5	2
Excavators	1 to 29 cubic yards	90 - 1,944	37	60
Dozers	20,741 lbs to 230,100 lbs	96 - 850	77	32
Graders	14 to 24 feet	150 - 500	24	6
Packers	14,175 to 68,796 lbs	216 - 315	2	2
Other heavy equipment			20	1
Total			**390**	**222**

Competitive Conditions

Much of our business is secured through the formal competitive bidding process. Our competitive environment and customer behavior has continued to remain focused on lowering costs and getting the best value for their dollar. As the oil sands region struggles with lack of pipeline capacity and production 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 pipeline capacity has led to the curtailment of customer investment, resulting in some competitors getting out of the space, as well as stiffer competition for oil sands project tenders with the remaining competitors.

The market outside of the oil sands remains equally competitive. Our customers continue to increase the number of competitors on their bid lists 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 are corresponding costs savings to warrant taking on such risks.

We believe that our excellent safety record, combined with our significant mining and heavy construction knowledge, experience, long-term customer relationships, equipment capacity and scale of operations, differentiate us from our competition and provide significant value to our customers. We believe we are the premier provider of contract mining services in the Canadian oil sands. We and our predecessors have operated in western Canada for over 65 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.

Major Suppliers

We have long-term relationships with the following suppliers of equipment, parts and components:

- 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;
- SMS Equipment Inc. (over 10 years), the Canadian supplier of a large capacity fleet of our Komatsu mining trucks;
- 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; and

- Hydraulic Repair and Design (over 10 years), our prime supplier of hydraulic cylinders and pumps for our Hitachi mining shovels and excavators.

Finning, Wajax, Brant and SMS are also major suppliers for equipment rentals and service labour.

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. 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.

Employees and Labour Relations

As at December 31, 2019, we had 186 salaried employees (2018 - 160 salaried employees) and approximately 1,738 hourly employees (2018 - 1,570 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, 2018 - 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 ranges in size from approximately 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 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.

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 facilities between the Operating Engineers and North American Maintenance Ltd. 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, which expires 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.

Health, Safety and Environmental

While environmental permitting and compliance with respect to the projects and sites on which we operate is generally the responsibility of our customers, our operations and business are subject to various federal, provincial, state and municipal legislation and regulation in relation to health, safety and the environment in all of the jurisdictions in which we operate. Beyond our commitment to meet statutory and regulatory requirements, our commitment to health, safety and environmental responsibility is of utmost priority to us. We are committed to conducting our business in such a manner as to protect and preserve the health and safety of our employees, contractors and the public as well as the safety of the environment.

The Company has implemented an Environment Code that establishes specific environmental management procedures and protocols that all employees, contractors and management personnel must undertake and comply with at all times, including the requirement for the Company and every contractor to establish waste management plans for every project. Among other things, the Environment Code addresses and sets standards and procedures for: (a) collection, handling, storage, recycling and disposal of waste, including hazardous and non-hazardous waste; (b) prevention, containment and cleanup of spills and leaks of hazardous materials or anything that may cause groundwater contamination; (c) water management and testing; (d) soil management and testing; (e) management of controlled products; (f) noise and energy monitoring and management; (g) storm water

contamination prevention; (h) erosion prevention and sedimentary control; (i) air pollution prevention and control; (j) training in relation to the matters dealt with by the Environment Code; and (k) periodic audits to ensure compliance with the Environment Code.

At each work site, we develop and implement detailed health, safety and environmental plans as the primary tool to demonstrate and maintain compliance with all applicable regulations and conditions of permits and approvals as well as the Company's Environment Code. All employees at a supervisor role or higher are required to complete on an annual basis health, safety and environmental training. In addition, our Code of Conduct and Ethics Policy (the “Code”) identifies health, safety and environmental responsibility as fundamental corporate values. The Code requires that every employee of the Company: (a) maintain a safe and healthy workplace for all Company personnel by following health and safety rules and practices instituted by the Company and by reporting accidents, injuries and unsafe equipment, practices or conditions; (b) be accountable for their own health and safety and have a responsibility towards maintaining the health and safety of those with whom they work; (c) report fit for work such that the ability to work safely is not impaired by alcohol, drugs, medications or any other substance; (d) continually improve environmental performance through the implementation of effective systems and the use of technology; (e) ensure that all Company personnel understand NACG’s commitment to and their role in NACG’s environmental performance; (f) conserve natural resources, minimize waste and promote recycling; (g) meet the expectations of our employees, customers, government, regulatory bodies and the community in relation to environmental responsibility; and (h) comply with the environmental policies of our customers while working on their sites.

Employees are required to report any safety or environmental concerns or violations to their supervisor, to the Company’s Human Resources department, to the senior officers of the Company or to any member of the Company’s board of directors, or where anonymity is desired, through the Company’s anonymous ethics reporting system. Any issues raised are included in quarterly reports which are provided to the senior management team and the board of directors. Senior management also receives a weekly report setting out any health, safety or environmental incidents in the previous week and any steps taken or suggested to be taken in order to prevent future incidents.

D. CAPITAL STRUCTURE AND SECURITIES

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.

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.

Outstanding Shares and Shares Held in Trust

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

As at February 14, 2020, there were 27,549,778 voting common shares outstanding, which included 1,669,546 common shares held by the trust and classified as treasury shares on our consolidated balance sheets (27,502,912 common shares, including 1,725,467 common shares classified as treasury shares at December 31, 2019). We had no non-voting common shares outstanding on any of the foregoing dates. Additionally, as at December 31, 2019, there were an aggregate of 238,600 vested options outstanding under our Amended and Restated 2004 Share Option Plan which, in the event of exercise, would result in the issuance of 238,600 common voting shares.

Dividends

We paid an annual aggregate dividend of twelve Canadian cents ($0.12) per common share in 2019. Our current dividend policy is to pay an annual aggregate dividend of sixteen Canadian cents ($0.16) per common share, payable on a quarterly basis. We do not presently anticipate any change to that policy.

	Date declared	Per share	Shareholders on record as of	Paid or payable to shareholders	Total paid or payable
Q1 2017	February 14, 2017	$ 0.02	March 6, 2017	April 7, 2017	$ 559
Q2 2017	May 2, 2017	$ 0.02	June 7, 2017	July 7, 2017	$ 542
Q3 2017	August 1, 2017	$ 0.02	August 31, 2017	October 6, 2017	$ 516
Q4 2017	October 31, 2017	$ 0.02	November 30, 2017	January 5, 2018	$ 510
Q1 2018	February 13, 2018	$ 0.02	March 6, 2018	April 6, 2018	$ 504
Q2 2018	May 1, 2018	$ 0.02	May 31, 2018	July 6, 2018	$ 493
Q3 2018	July 31, 2018	$ 0.02	August 31, 2018	October 5, 2018	$ 500
Q4 2018	October 29, 2018	$ 0.02	November 30, 2018	January 4, 2019	$ 500
Q1 2019	February 25, 2019	$ 0.02	March 12, 2019	April 5, 2019	$ 503
Q2 2019	April 30, 2019	$ 0.02	May 31, 2019	July 5, 2019	$ 505
Q3 2019	July 30, 2019	$ 0.04	August 31, 2019	October 4, 2019	$ 1,028
Q4 2019	October 29, 2019	$ 0.04	November 30, 2019	January 3, 2020	$ 1,030

Trading Price and Volume

Common shares

Our voting common shares are listed on the TSX and on the NYSE. The following table summarizes 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 for 2019:

	Toronto Stock Exchange			New York Stock Exchange		
Date	High ($)	Low ($)	Volume	High ($)	Low ($)	Volume
December 2019	16.25	14.07	997,800	12.46	10.57	1,926,200
November 2019	16.00	14.25	1,055,700	12.30	10.71	2,139,200
October 2019	15.96	13.52	1,713,500	12.20	10.13	2,364,000
September 2019	17.29	15.00	1,358,400	13.17	11.32	2,532,200
August 2019	17.02	14.67	1,140,200	12.87	11.04	3,352,800
July 2019	16.56	12.87	2,011,500	12.59	9.78	2,129,000
June 2019	15.11	13.51	1,919,600	13.14	10.87	2,435,400
May 2019	17.58	14.72	2,286,500	13.14	10.87	2,715,000
April 2019	18.36	15.42	1,732,700	13.62	11.53	2,194,500
March 2019	17.19	15.01	1,706,600	12.89	11.16	2,134,500
February 2019	17.46	12.79	1,546,800	13.27	9.75	2,697,000
January 2019	14.55	11.77	1,066,600	10.82	8.59	1,582,700

Convertible debentures

The below table summarizes the highest trading price, lowest trading price and volume for our 5.50% convertible debentures and 5.00% convertible debentures on the TSX (in Canadian dollars).

	5.50% convertible debentures			5.00% convertible debentures		
Date	High ($)	Low ($)	Volume	High ($)	Low ($)	Volume
December 2019	150.00	134.40	2,181,000	102.75	99.51	1,801,000
November 2019	150.00	136.26	2,000	101.50	99.00	1,726,000
October 2019	141.16	132.62	54,000	101.55	97.14	2,547,000
September 2019	159.09	143.34	389,000	103.80	100.00	1,923,000
August 2019	153.45	144.00	246,000	102.00	99.00	2,188,000
July 2019	156.60	128.56	1,779,000	99.25	97.00	3,447,000
June 2019	140.70	136.01	120,000	98.00	96.65	931,000
May 2019	162.50	147.65	1,040,000	99.50	96.00	12,495,000
April 2019	165.10	149.17	985,000	101.01	96.50	10,248,000
March 2019	160.71	146.09	885,000	97.00	95.00	2,072,000
February 2019	163.70	131.00	518,000	NA	NA	NA
January 2019	139.04	120.83	311,000	NA	NA	NA

Convertible Debentures

On March 20, 2019, we issued $55.0 million in aggregate principal amount of 5.00% convertible unsecured subordinated debentures, which mature on March 31, 2026. 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.

Debt Ratings

On December 20, 2019, S&P Global Ratings ("S&P") maintained our company outlook of "positive" while affirming our "B" long-term corporate credit rating. S&P further confirmed that the financial risk profile could be raised to a "B+" if operations are in line with the enhanced estimates of operating and credit metric forecasts for 2020.

An obligation rated "B" is regarded by S&P 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 S&P's major rating categories.

An S&P 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.

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. We paid fees to S&P Global Ratings in order to obtain rating information.

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.

E. MATERIAL CONTRACTS

We do not consider ourselves to be party to any material contracts other than those entered into in the ordinary course of our business and that are not required to be filed under applicable securities legislation and regulations.

F. DIRECTORS AND OFFICERS

Director and Officer Information

Each director is elected at the Company's annual meeting for a one-year term or until such person's successor is duly elected or appointed, unless his or her office is earlier vacated. As at February 14, 2020, the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 2,512,616 common voting shares of the Company (representing approximately 9.1% of all issued and outstanding common voting shares). Our board has determined that each director, other than Martin Ferron, is an independent director under applicable regulatory and exchange standards.

The following table sets forth information about our directors:

Name and Municipality of Residence	Position with the Company	Director Since
Martin R. Ferron Edmonton, Alberta, Canada	Chairman of the Board and Chief Executive Officer	June 7, 2012
Ronald A. McIntosh Calgary, Alberta, Canada	Director	May 20, 2004
Bryan D. Pinney Calgary, Alberta, Canada	Lead Director	May 13, 2015
John J. Pollesel Edmonton, Alberta, Canada	Director	November 23, 2017
Maryse C. Saint-Laurent Calgary, Alberta, Canada	Director	August 8, 2019
Thomas P. Stan Calgary, Alberta, Canada	Director	July 14, 2016
Jay W. Thornton Calgary, Alberta, Canada	Director	June 7, 2012
Kristina E. Williams Edmonton, Alberta, Canada	Director	August 8, 2019

Martin R. Ferron is presently the Chief Executive Officer of the Company and was appointed Chairman of the Board on October 31, 2017. He originally joined the Company 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., a NYSE-listed international energy services 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.

Ronald A. McIntosh served as Chairman of our board of directors from May 20, 2004 to October 31, 2017. Between October 2002 and January 2004, he was President and Chief Executive Officer of Navigo Energy Inc. 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 also previously served as Chief Operating Officer of Amerada Hess Canada.

Bryan D. Pinney was appointed as the Company'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. Mr. Pinney was a partner with Deloitte between 2002 and 2015, serving 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. 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.

John J. 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 held the positions of CEO for the Morris Group of Companies, Chief Operating Officer for Vale's North Atlantic Operations and Chief Financial Officer for Compania Minera Antamina in Peru, one of the largest copper/zinc mining and milling operations in the world. 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.

Maryse C. Saint-Laurent currently serves on the board of directors of for Guyana Goldfields Inc., Turquoise Hill Resources Ltd., The Alberta Securities Commission and the Alberta Prostate Cancer Centre. From 2013 to 2015, she was Vice-President Legal and Corporate Secretary for TransAlta Renewables Inc., and from 2011 to 2015, she was also Vice-President Legal and Corporate Secretary for TransAlta Corporation. She formerly held positions with TC PipeLines, LP and Canada Post Corporation.

Thomas P. Stan was the President and CEO of Corval Energy Ltd., a Calgary, Alberta based oil company, until September of 2019. 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.

Jay W. Thornton was 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.

Kristina E. Williams is currently the President and CEO of Alberta Enterprise Corporation, which oversees a fund consisting of eighteen venture capital investments with an underlying portfolio of over 200 technology companies. She currently also serves as the Swedish Honorary Consul for Northern Alberta. Previously, she held the position as Vice President of Marketing and Sales for Natraceutical Canada Inc. and its predecessor Cevena Bioproducts Inc. She holds a Masters of Business Administration from the University of Alberta.

The following table sets forth information about our executive officers.

Name and Municipality of Residence	Position	In Current Role Since
Martin R. Ferron Edmonton, Alberta, Canada	Chairman of the Board and Chief Executive Officer	October 31, 2017
Joseph C. Lambert St. Albert, Alberta, Canada	President and Chief Operating Officer	October 31, 2017
Jason W. Veenstra Edmonton, Alberta, Canada	Executive Vice President and Chief Financial Officer	September 10, 2018
Barry W. Palmer Morinville, Alberta, Canada	Senior Vice President, Operations	November 28, 2018
Jordan A. Slator Edmonton, Alberta, Canada	Vice President and General Counsel; Corporate Secretary	November 28, 2018
David G. Kallay St. Albert, Alberta, Canada	Vice President, Health, Safety Environment and Human Resources	November 28, 2018

Joseph C. Lambert became President 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.

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.

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.

Jordan A. Slator became Vice President and General Counsel on November 28, 2018. Mr. Slator originally joined the Company 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.

David G. Kallay became Vice President, Health, Safety, Environment and Human Resources on November 28, 2018. Mr. Kallay originally joined the Company 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.

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.

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

No director or executive officer of the Company and, to the knowledge of the directors and executive officers of the Company, none of their respective associates or affiliates, nor any person who owns, controls or directs, directly or indirectly, more than 10 percent of our outstanding voting common shares, nor their respective associates or affiliates, has had any material interest, direct or indirect, in any transaction within our three most recently completed financial years or during our current financial year that has materially affected or is reasonably expected to materially affect us.

G. THE BOARD AND BOARD COMMITTEES

Our board has established the following committees:

Audit Committee

The Audit Committee is currently composed of Bryan Pinney, Ronald McIntosh, John Pollesel and Kristina Williams, with Mr. Pinney serving as Chairman. 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. Based on their experience (see “Director and Officer Information” above), each of the members of the Audit Committee is financially literate. The board of directors has determined that Mr. Bryan D. Pinney and Mr. John J. 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.

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, 2019. 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 2019. The fees we have paid to KPMG for services rendered by them include:

- Audit Fees – We incurred $807 and $1,201 for audit fees from KPMG during the years ended December 31, 2019 and 2018, respectively. Audit fees were incurred for the audit of our annual financial statements, the audit of internal controls over financial reporting, the quarterly interim reviews of the consolidated financial statements and certain procedures pertaining to acquisitions and involvement in securities documents.
- Audit Related Fees – We incurred $ nil and $25 for audit related fees from KPMG during the years ended December 31, 2019 and 2018, respectively. Audit related fees in 2018 include fees related to the adoption of the new revenue standard.
- Tax Fees - No income tax advisory and compliance services fees were incurred for the years ended December 31, 2019 and 2018, respectively.
- Other Fees - No other fees were incurred for the years ended December 31, 2019 and 2018, respectively.

Human Resources and Compensation Committee

The Human Resources and Compensation Committee is responsible for supervising executive compensation policies for us, administering 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 Thomas Stan, Bryan Pinney and Maryse Saint-Laurent, with Thomas Stan serving as Chair.

Operations Committee

The Operations Committee is 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 Ronald McIntosh, John Pollesel, Thomas Stan and Kristina Williams, with John Pollesel serving as Chair.

Governance Committee

The Governance 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. 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 Governance Committee is composed solely of independent directors. Our board of directors has adopted a written charter for the Governance Committee that is available on our website at www.nacg.ca. The Governance Committee is currently composed of Ronald McIntosh, Bryan Pinney and Maryse Saint-Laurent, with Maryse Saint-Laurent serving as Chair.

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, 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 combination of our significant size and extensive experience will allow us to be successful in bidding and performing large-scale earthworks infrastructure and resource development work in both Canada and the United States.
2. Our anticipation that we will not experience a tire shortage due to our inventory levels and availability from manufacturers.
3. Our expectation that we will not experience a strike or lockout.

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 "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

For a description of assumptions, see the "Assumptions" section of our annual MD&A, which section is expressly incorporated by reference into this AIF.

Risk Factors

The following are the key risk factors that affect us and our business. These factors could materially and adversely affect our operating results and could cause actual results to differ materially from those described in forward-looking statements.

- ***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 endeavors 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.
- ***Cashflow, Liquidity and Debt.*** As of December 31, 2019, we had $412.1 million of total debt, representing long-term debt and finance leases. While we have achieved a significant improvement in the flexibility to borrow against our borrowing capacity, 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.
- ***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.
- ***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.
- ***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.

- ***Equipment Utilization.*** Our business depends on our fleet being operable and in ready-to-work condition. We often operate in conditions that inflict a high degree of wear on our equipment. If we are unable to maintain our fleet so as to obtain our planned utilization rates, or if we are required to expend higher than expected amounts on maintenance or to rent replacement equipment at high rates due to equipment breakdowns, our operating revenues and profits will be adversely impacted. We endeavor to mitigate these risks through our maintenance planning and asset management processes and procedures, though there is no assurance that we can anticipate our future equipment utilization rates with certainty.
- ***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 four largest customers represented approximately 95% and 89% of our total revenue for the years ended December 31, 2019 and 2018, 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.
- ***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.
- ***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.
- ***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.
- ***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.

- ***Health and 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.
- ***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 52%, 62% and 65% of our revenue for the years ended December 31, 2019, 2018 and 2017, 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.
- ***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 $4.9 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.
- ***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.

- ***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.
- ***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.
- ***Cyber Security and Information Technology Systems.*** We utilize 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 we have 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 our 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. We attempt to prevent breaches through the implementation of various technology-based security measures, contracting consultants and expert third-parties, hiring qualified employees to manage our systems, conducting periodic audits and reviewing and updating policies, controls and procedures when appropriate. To date, we have not been subject to a cyber security breach that has resulted in a material impact on its business or operations; however, there is a possibility that the measures we take to protect its information technology systems may not be effective in protecting against a specific breach in the future.
- ***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 we will be successful in identifying, recruiting or retaining such personnel.
- ***Impact of Extreme Weather Conditions and Natural Disasters.*** Extreme weather conditions or natural disasters, such as fires, floods and similar events, may cause delays in the progress of our work, which to the extent that such risk is not mitigated through contractual terms, may result in loss of revenues while certain costs continue to be incurred. Such delays may also lead to incurring additional non-compensable costs, including overtime work, that are necessary to meet customer schedules. Delays in the commencement of a project due to extreme weather or natural disaster may also result in customers choosing to defer or even cancel planned projects entirely. Such events may also impact the availability and cost of equipment, parts, labour or other inputs to our business that could have a material adverse effect on our financial position.
- ***Climate Change Laws and Regulations.*** Climate change continues to attract considerable public and regulatory attention, with greenhouse gas emission regulations becoming more commonplace and stringent. Government action intended to address climate change may involve both economic instruments such as carbon taxation as well as restrictions on certain sectors such as cap-and-trade schemes. Certain jurisdictions in which the Company operates impose carbon taxes on significant emitters and there is a possibility of similar taxation in other jurisdictions in the future. Our cost of business may rise and we may be required to purchase new equipment to reduce emissions in order to comply with new regulatory standards or to mitigate the financial impact of carbon taxation. Other government restrictions on certain market sectors, such as oil sands, could also adversely impact current or potential clients resulting in a reduction of available work.

I. GENERAL MATTERS

Additional Information

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 financial information relating to the Company is provided in the Company's audited consolidated financial statements and MD&A for the financial year ended December 31, 2019, all of which, together with other information relating to the Company, 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'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.

U.S. Mine Safety Disclosure

As required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Company confirms that its wholly-owned subsidiary NACG Wyoming, Inc. has, since June 21, 2019, been the operator of a coal mine located in southwest Wyoming known as the Kemmerer Mine (the "Mine"). During the period of the Company's operation of the Mine in 2019, the Company received, with respect to the Mine: (a) 11 citations from the Mine Safety and Health Administration (the "MSHA") under Section 104 of the Federal Mine Safety and Health Act of 1977 (30 U.S.C. 814) (the "Act"); (b) no orders under Section 104(b) of the Act; (c) no orders under Section 104(d) of the Act; (d) no flagrant violations under Section 110(b)(2) of the Act; and (e) no imminent danger orders under Section 107(a) of the Act. The total value of proposed assessments from the MSHA relating to violations under the Act in relation to the Mine in 2019 was $2,889 US. There were no fatalities at the Mine in 2019. The MSHA has not provided any notice with respect to the Mine of a pattern of violations, or the potential to have a pattern of violations, of mandatory health or safety standards that could have significantly and substantially contributed to the cause and effect of health or safety hazards under Section 104(e) of the Act. There is no pending legal action before the federal Mine Safety and Health Review Commission involving the Mine.

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).

"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.

EXHIBIT A

Audit Committee Charter

1. PURPOSE

The board of directors (the "board") of North American Construction Group Ltd. (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 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 99.3

NORTH AMERICAN CONSTRUCTION GROUP LTD.

Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

KPMG LLP
2200, 10175 - 101 Street
Edmonton AB T5J 0H3
Telephone (780) 429-7300
Fax (780) 429-7379
www.kpmg.ca

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, 2019, 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, 2019, based on the 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, 2019 and 2018, 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 19, 2020 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.

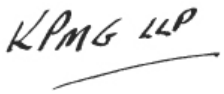
We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over 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 considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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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.



Chartered Professional Accountants

Edmonton, Canada

February 19, 2020

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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., Inc. (the "Company") as of December 31, 2019 and 2018, 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, 2019 and 2018, 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, 2019, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 19, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 3 to the consolidated financial statements, the Company has changed its method of accounting for leases as of January 1, 2019 due to the adoption of Accounting Standards Codification Topic 842, Leases.

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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KPMG LLP

Chartered Professional Accountants

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

Edmonton, Canada

February 19, 2020

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Consolidated Balance Sheets

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

	Note	2019	2018
Assets			
Current assets			
Cash		$ 5,544	$ 19,508
Accounts receivable	*6*	66,746	82,399
Contract assets	*16(c)*	19,193	10,673
Inventories	*2(k)*	21,649	13,391
Prepaid expenses and deposits		4,245	3,736
		117,377	**129,707**
Property, plant and equipment, net of accumulated depreciation $276,185 (2018 – $248,885)	*7*	587,729	528,157
Operating lease right-of-use assets	*3, 10*	21,841	—
Other assets		7,142	10,876
Investments in affiliates and joint ventures	*11(a)*	42,908	11,788
Deferred tax assets	*8*	15,655	9,272
Total assets		**$ 792,652**	**$ 689,800**
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable		$ 88,201	$ 63,460
Accrued liabilities	*9*	17,560	19,157
Contract liabilities	*16(c)*	23	4,032
Current portion of long-term debt	*12*	18,514	29,996
Current portion of finance lease obligations (current portion of capital lease obligations as at December 31, 2018)	*3, 10*	29,206	32,250
Current portion of operating lease liabilities	*3, 10*	3,799	—
		157,303	**148,895**
Long-term debt	*12*	313,443	265,962
Finance lease obligations (capital lease obligations as at December 31, 2018)	*3, 10*	47,072	54,318
Operating lease liabilities	*3, 10*	17,710	—
Other long-term obligations	*14*	24,504	25,623
Deferred tax liabilities	*8*	52,501	44,787
		612,533	**539,585**
Shareholders' equity			
Common shares (authorized – unlimited number of voting common shares; issued and outstanding – December 31, 2019 - 27,502,912 (December 31, 2018 – 27,088,816))	*15(a)*	225,966	221,773
Treasury shares (December 31, 2019 - 1,725,467 (December 31, 2018 - 2,084,611))	*15(a)*	(15,911)	(11,702)
Additional paid-in capital		49,919	53,567
Deficit		(79,855)	(113,917)
Shareholders' equity attributable to common shareholders		**180,119**	**149,721**
Noncontrolling interest	*11(a)*	—	494
		180,119	**150,215**
Total liabilities and shareholders' equity		**$ 792,652**	**$ 689,800**
Contingencies	*23*		

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)

	Note	2019	2018
Revenue	*16*	**$ 719,067**	**$ 410,061**
Project costs		277,646	152,943
Equipment costs	*2(k)*	243,427	129,692
Depreciation		101,582	58,350
Gross profit		**96,412**	**69,076**
General and administrative expenses		36,934	37,110
Loss on sublease		—	1,732
Gain on disposal of property, plant and equipment		(31)	(158)
Amortization of intangible assets		711	412
Operating income before the undernoted		**58,798**	**29,980**
Interest expense, net	*17*	21,623	8,584
Equity earnings in affiliates and joint ventures	*11(a)*	(2,780)	(60)
Foreign exchange (gain) loss		(36)	39
Income before income taxes		**39,991**	**21,417**
Current income tax expense	*8*	13	—
Deferred income tax expense	*8*	2,845	6,096
Net income and comprehensive income		**37,133**	**15,321**
Net income attributable to noncontrolling interest	*11(a)*	(255)	(35)
Net income and comprehensive income available to shareholders		**$ 36,878**	**$ 15,286**
Per share information			
Basic net income per share	*15(b)*	$ 1.45	$ 0.61
Diluted net income per share	*15(b)*	$ 1.23	$ 0.54

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, 2017	**$ 231,020**	**$ (12,350)**	**$ 54,416**	**$ (127,162)**	**$ 145,924**	**$ —**	**$ 145,924**
Adoption of accounting standards	—	—	—	(45)	**(45)**	—	**(45)**
Net income and comprehensive income available to shareholders	—	—	—	15,286	**15,286**	35	**15,321**
Exercise of stock options	1,704	—	(681)	—	**1,023**	—	**1,023**
Stock-based compensation	—	5,720	(1,603)	—	**4,117**	—	**4,117**
Dividends ($0.08 per share)	—	—	—	(1,996)	**(1,996)**	—	**(1,996)**
Share purchase program	(10,975)	—	1,435	—	**(9,540)**	—	**(9,540)**
Purchase of treasury shares	—	(5,072)	—	—	**(5,072)**	—	**(5,072)**
Conversion of convertible debentures	24	—	—	—	**24**	—	**24**
Distributions to affiliates and joint venture partners	—	—	—	—	**—**	459	**459**
Balance at December 31, 2018	**$ 221,773**	**$ (11,702)**	**$ 53,567**	**$ (113,917)**	**$ 149,721**	**$ 494**	**$ 150,215**
Net income and comprehensive income available to shareholders	—	—	—	36,878	**36,878**	255	**37,133**
Exercise of stock options	3,248	—	(1,295)	—	**1,953**	—	**1,953**
Stock-based compensation	—	6,178	(2,353)	—	**3,825**	—	**3,825**
Dividends ($0.12 per share)	—	—	—	(3,066)	**(3,066)**	—	**(3,066)**
Purchase of treasury shares	—	(10,387)	—	—	**(10,387)**	—	**(10,387)**
Conversion of convertible debentures	945	—	—	—	**945**	—	**945**
Distributions to (from) affiliates and joint venture partners	—	—	—	250	**250**	(280)	**(30)**
Effect of change in presentation of NL Partnership	—	—	—	—	**—**	(469)	**(469)**
Balance at December 31, 2019	**$ 225,966**	**$ (15,911)**	**$ 49,919**	**$ (79,855)**	**$ 180,119**	**$ —**	**$ 180,119**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

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

	Note	2019	2018
Cash provided by (used in):			
Operating activities:			
Net income and comprehensive income		$ 37,133	$ 15,321
Adjustments to reconcile to net cash from operating activities:			
Depreciation		101,582	58,350
Amortization of intangible assets		711	412
Lease inducement received		—	1,412
Amortization of deferred financing costs	*17*	969	539
Loss on sublease		—	1,732
Gain on disposal of property, plant and equipment		(31)	(158)
Stock-based compensation expense	*18*	9,443	11,532
Cash settlement of directors' deferred share unit plan	*18(c)*	(5,084)	—
Equity earnings in affiliates and joint ventures	*11(a)*	(2,780)	(60)
Dividends received from affiliates and joint ventures		4,382	—
Other adjustments to cash from operating activities		255	17
Deferred income tax expense	*8*	2,845	6,096
Net changes in non-cash working capital	*19(b)*	8,519	14,178
		157,944	109,371
Investing activities:			
Acquisition of heavy construction fleet and related assets	*5*	—	(151,180)
Investment in affiliates and joint ventures, net of cash acquired		—	(31,911)
Cash reclassification to investments in affiliates and joint ventures from change in presentation of NL Partnership	*11(a)*	(10,630)	—
Purchase of property, plant and equipment		(157,026)	(81,078)
Additions to intangible assets		(422)	(380)
Proceeds on disposal of property, plant and equipment		4,462	36,274
Additions to other long-term receivable		—	(619)
Net repayments of loans to affiliates and joint venture partners		2,938	280
		(160,678)	(228,614)
Financing activities:			
Proceeds from long-term debt	*12*	227,750	267,900
Repayment of long-term debt	*12*	(186,881)	(88,750)
Financing costs		(2,689)	(848)
Repayment of finance lease obligations		(38,160)	(32,142)
Distribution paid to noncontrolling interest of affiliates		(280)	—
Dividend payments	*15(d)*	(2,536)	(2,006)
Proceeds from exercise of stock options		1,953	1,023
Share purchase programs		—	(9,540)
Purchase of treasury shares	*15(a)*	(10,387)	(5,072)
		(11,230)	130,565
(Decrease) increase in cash		**(13,964)**	**11,322**
Cash, beginning of year		19,508	8,186
Cash, end of year		**$ 5,544**	**$ 19,508**

Supplemental cash flow information (note 19(a))

See accompanying notes to consolidated financial statements.

1. Nature of operations

North American Construction Group Ltd. ("NACG" or the "Company"), 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 and United States 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") for which it is considered to be the primary beneficiary as well as voting interest entities in which it has a controlling financial interest as defined by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 810, Consolidation, and related standards. 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.

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 sheets. 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.

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 is a primary beneficiary of an entity or has a controlling interest in an investee and is required to consolidate;
- 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 the estimates of the cost to complete 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 generally 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 one significant integrated 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 expenses 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 integrated 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, there is a possibility that amounts receivable and payable under construction contracts (principally holdbacks) may extend beyond one year and would be included in current assets and liabilities.

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 contracts 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.

The Company reviews its accounts receivable amounts regularly and outstanding amounts are written down to their expected realizable value when they 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 and comprehensive income in the period 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.

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 16(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 tracks, track frames, fuel and lubricants. Cost is determined using the weighted-average method.

During the second quarter of 2019, management performed a comprehensive review of its inventory accounting policy and determined that certain parts initially expensed upon purchase should instead be recorded as inventory when acquired and expensed when ultimately utilized. As a result, inventories reported in previous periods were understated by the amount of parts that remained on hand at the respective balance sheets date. Previously reported equipment costs were overstated by the net amount of any such inventory purchased in excess of amounts utilized in a given reporting period. The Company recorded an out-of-period correction to increase inventories and decrease equipment costs by $2,775 ($2,040 net of deferred tax) during the year ended December 31, 2019. Management concluded the impact of these adjustments were not material to any previously issued annual financial statements.

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 finance 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	4 - 10 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) 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.

q) 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.

r) 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 and comprehensive income.

s) Stock-based compensation

The Company has a Restricted Share Unit (“RSU”) Plan which is described in note 18(a). 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 five 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 statements of operations and comprehensive income, 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 18(b). 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 statements of operations and comprehensive income, with a corresponding increase to additional paid-in capital.

The Company has a Deferred Stock Unit (“DSU”) Plan which is described in note 18(c). 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 five 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 and comprehensive income. 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.

The Company has a Share Option Plan which is described in note 18(d). 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.

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. Forfeitures are estimated at the time of grant and revised in subsequent periods if actual forfeitures differ from those estimates.

t) Net income per share

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the period (see note 15(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.

u) Leases

The Company determines whether a contract is or contains a lease at inception of the contract. At the lease commencement date, the Company recognizes a right-of-use ("ROU") asset and a lease liability. The ROU asset for operating and finance leases are included in operating lease right-of-use assets and property, plant and equipment, respectively, on the consolidated balance sheets. The lease liability for operating and finance leases are included in operating lease liabilities and finance lease obligations, respectively.

Operating and finance lease assets and liabilities are initially measured at the present value of lease payments at the commencement date. Subsequently, finance lease liabilities are measured at amortized cost using the effective interest rate method and operating lease liabilities are measured at the present value of unpaid lease payments.

As most of the Company’s operating lease contracts do not provide the implicit interest rate, nor can the implicit interest rate be readily determined, the Company uses its incremental borrowing rate as the discount rate for determining the present value of lease payments. The Company's incremental borrowing rate for a lease is the rate that the Company would pay to borrow an amount equal to the lease payments on a collateralized basis over a similar term. The Company uses the lease implicit interest rate when it is determinable.

The lease term for all of the Company's leases includes the non-cancellable period of the lease plus any period covered by options to extend (or not to terminate) the lease term when it is reasonably certain that the Company will exercise that option.

Lease payments are comprised of fixed payments owed over the lease term and the exercise price of a purchase option if the Company is reasonably certain to exercise the option. The ROU assets for both operating and finance leases are initially measured at cost, which consists of the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred, less any lease incentives received. Subsequently, the ROU assets for finance leases are amortized on a straight-line basis from the lease commencement date to the earlier of the end of its useful life or the end of the lease term. ROU asset depreciation expense is recognized and presented separately from interest expense on the lease liability through depreciation and interest expense, net, respectively. The ROU asset for operating leases is measured at the amortized value of the ROU asset. Amortization of the ROU asset is calculated as the current-period lease cost adjusted by the lease liability accretion to the then outstanding lease balance. Lease expense of the operating lease ROU asset is recognized on a straight-line basis over the remaining lease term through general and administrative expenses.

ROU assets for operating and finance leases are reduced by any accumulated impairment losses. The Company's existing accounting policy for impairment of long-lived assets is applied to determine whether an ROU asset is impaired, and if so, the amount of the impairment loss to be recognized.

The Company monitors for events or changes in circumstances that require a reassessment of one or more of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset.

The Company generally accounts for contracts with lease and non-lease components separately. This involves allocating the consideration in the contract to the lease and non-lease components based on each component’s relative standalone price. For certain leases, the Company has elected to apply the practical expedient to account for the lease and non-lease components together as a single lease component. Non-lease components include common area maintenance and machine maintenance. For those leases, the lease payments used to measure the lease liability include all of the fixed consideration in the contract.

ROU assets and lease liabilities for all leases that have a lease term of 12 months or less ("short-term leases") are not recognized. The Company recognizes its short-term lease payments as an expense on a straight-line basis over the lease term. Short-term lease variable payments are recognized in the period in which the payment is assessed.

The Company has entered into contracts to sublease certain operating property leases to third parties and generally accounts for lease and non-lease components of subleases separately.

v) 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 mortgage and the issuance of Convertible Debentures 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 revolving facilities under the credit facilities are included within other assets on the consolidated balance sheets and are amortized ratably over the term of the Credit Facility.

w) Investments in affiliates and joint ventures

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. Where it is concluded that the Company is the primary beneficiary of a VIE, the Company will consolidate the accounts of that VIE. 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. If an entity is determined to not be a VIE, the voting interest entity model will be applied.

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 affiliate or a joint venture is initially recognized at cost. Transaction costs that are incremental and directly attributable to the investment in the affiliate or joint venture 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 investment is adjusted to recognize changes in the Company's share of net assets of the affiliate or joint venture since the acquisition date.

The aggregate of the Company's share of profit or loss of affiliates and joint ventures is shown on the face of the consolidated statements of operations and comprehensive income, representing profit or loss after tax and noncontrolling interests in the subsidiaries of the affiliate or joint venture. Transactions between the Company and the affiliate or joint venture are eliminated to the extent of the interest in the affiliate 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 affiliate or joint venture. At each reporting date, the Company determines whether there is objective evidence that the investment in the affiliate 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 affiliates and joint ventures" in the consolidated statements 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 the consolidated statements of operations and comprehensive income.

3. Accounting pronouncements recently adopted

Leases

The Company adopted the new standard for leases, Topic 842, effective January 1, 2019. The Company applied the "Modified Retrospective" method where the cumulative effect adjustment is recognized to the opening balance of equity at January 1, 2019. As a result, the Company was not required to adjust its comparative period financial information for effects of the standard or make the new required lease disclosures for periods before the date of

adoption (i.e. January 1, 2019). The Company elected to adopt the package of practical expedients available upon transition, and therefore has not reassessed: (1) whether expired or existing contracts contain leases under the new definition of a lease, (2) lease classification for expired or existing leases, or (3) whether previously capitalized initial direct costs would qualify for capitalization under Topic 842. In addition, the Company elected to use hindsight when considering the likelihood that lessee options to extend or terminate a lease or purchase the underlying assets will be exercised. The adoption of this new standard had an impact on the Company's consolidated balance sheets where the Company was required to recognize ROU assets and lease liabilities for operating leases. However, there was no adjustment to opening equity at January 1, 2019.

As a result of adoption Topic 842, on January 1, 2019 the Company recognized operating lease liabilities of $17,410 (of which $3,407 was current and $14,003 was non-current) and operating lease ROU assets of $16,021. ROU assets are net of $1,389 related to deferred lease inducements previously included in other long-term obligations. In addition, the Company reclassified its capital lease obligations (of which $32,250 was current and $54,318 was non-current) to the corresponding finance lease obligations captions on the consolidated balance sheets.

The following table provides the Company's future minimum lease payments as at December 31, 2018 under Topic 840, prior to the adoption of Topic 842:

		Capital Leases		Operating Leases
2019	$	33,886	$	6,003
2020		23,843		6,091
2021		15,115		6,091
2022		11,621		5,098
2023 and thereafter		6,308		12,382
Total minimum lease payments	$	90,773	$	35,665
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 of capital leases		(32,250)		
	$	54,318		

4. Recent accounting pronouncements not yet adopted

a) 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.

b) 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.

c) 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.

d) Financial instruments - credit losses

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments. This accounting standard updated requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing

incurred loss impairment model with an expected loss model which requires the use of forward-looking information to calculate credit loss estimates. This standard is effective January 1, 2020 with early adoptions permitted. 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 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
Finance lease obligation (formally 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 was 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 was recorded at fair value within promissory notes, payable in three installments, six, twelve and

eighteen months from the closing date. The installments are accreted using the effective interest method. No material adjustments were made to the final purchase price in accordance with terms of the purchase price 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, 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. Transaction costs of $0.4 million associated with the acquisition were capitalized.

6. Accounts receivable

	Note	December 31, 2019	December 31, 2018
Trade		$ 38,686	$ 67,913
Holdbacks		7,152	558
Accrued trade receivables		13,174	9,807
Contract receivables		$ 59,012	$ 78,278
Other		7,734	4,121
		$ 66,746	$ 82,399

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. Information about the Company's exposure to credit risks and impairment losses for trade and other receivables is included in note 13(d).

7. Property, plant and equipment

December 31, 2019	Cost	Accumulated Depreciation	Net Book Value
Owned assets			
Heavy equipment	$ 299,298	$ 70,031	$ 229,267
Major component parts in use	252,328	92,161	160,167
Other equipment	40,344	25,328	15,016
Licensed motor vehicles	14,270	9,463	4,807
Office and computer equipment	5,154	3,511	1,643
Land	13,829	—	13,829
Buildings	26,281	2,421	23,860
	651,504	202,915	448,589
Assets under finance lease			
Heavy equipment	132,270	43,466	88,804
Major component parts in use	71,706	27,918	43,788
Other equipment	2,126	264	1,862
Licensed motor vehicles	5,617	1,551	4,066
Office and computer equipment	691	71	620
	212,410	73,270	139,140
Total property, plant and equipment	$ 863,914	$ 276,185	$ 587,729

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 finance 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

During the year ended December 31, 2019, additions to property, plant and equipment by means of finance leases were $28,107 (2018 - $21,904).

In 2018, the Company completed sale-leaseback transactions of $29,295. Deferred gains on sale-leaseback transactions are included in other long-term obligations and are amortized over the expected life of the equipment (note 14(a)).

8. 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,	2019	2018
Income before income taxes	$ 39,991	$ 21,417
Tax rate	26.50%	27.00%
Expected expense	$ 10,598	$ 5,783
(Decrease) increase related to:		
Impact of enacted future statutory income tax rates	(5,797)	—
Rate differential on equity earnings in affiliates and joint ventures	(859)	—
Other	(1,097)	313
Deferred income tax expense	$ 2,845	$ 6,096
Current income tax expense	13	—
Total income tax expense	$ 2,858	$ 6,096

The deferred tax assets and liabilities are summarized below:

	December 31, 2019	December 31, 2018
Deferred tax assets:		
Non-capital and net capital loss carryforwards	$ 44,763	$ 24,478
Contract liabilities	—	572
Finance lease obligations	27,220	23,207
Stock-based compensation	3,393	3,545
Other	682	2,538
Subtotal	$ 76,058	$ 54,340
Less: valuation allowance	(881)	(1,035)
	$ 75,177	$ 53,305
Deferred tax liabilities:		
Contract assets	$ 4,805	$ 3,711
Accounts receivable – holdbacks	924	96
Property, plant and equipment	106,104	84,927
Deferred financing costs	190	86
	$ 112,023	$ 88,820
Net deferred income tax liability	$ 36,846	$ 35,515

Classified as:

	December 31, 2019	December 31, 2018
Deferred tax asset	$ 15,655	$ 9,272
Deferred tax liability	(52,501)	(44,787)
	$ (36,846)	$ (35,515)

The Company and its subsidiaries file income tax returns in the Canadian federal jurisdiction, multiple provincial jurisdictions, the U.S. federal jurisdiction and one state jurisdiction.

At December 31, 2019, the Company has a deferred tax asset of $ 43,882 resulting from non-capital loss carryforwards of $185,614, which expire as follows:

	December 31, 2019
2027	$ 279
2032	5,099
2033	5,893
2034	3,531
2036	3,127
2037	18,955
2038	86,189
2039	62,541
	$ 185,614

At December 31, 2019, the Company has recorded a valuation allowance against the deferred tax asset of $881 resulting from net capital loss carryforwards of $7,664, which have an indefinite life.

9. Accrued liabilities

	Note	December 31, 2019	December 31, 2018
Accrued interest payable		$ 1,557	$ 972
Payroll liabilities		11,973	15,360
Liabilities related to short-term rentals		2,405	423
Dividends payable	*15(d)*	1,030	500
Income and other taxes payable		38	1,749
Other		557	153
		$ 17,560	$ 19,157

10. Leases

The Company has finance and operating leases for heavy equipment, shop facilities, vehicles and office facilities. These leases have lease terms of one to 15 years, with options to extend on certain leases for terms up to 5 years.

a) Lease expenses and (income)

Year ended December 31,	2019
Short-term lease expense	$ 36,179
Operating lease expense	4,435
Operating lease income	(3,074)

During the year ended December 31, 2019, depreciation of equipment under finance leases (formerly capital lease obligations at December 31, 2018) was $26,416 (December 31, 2018 - $25,995).

The Company generates operating lease income from the sublease of certain office facilities.

b) Supplemental balance sheet information

	December 31, 2019
Net book value of property, plant and equipment under finance leases	$ 139,140
Weighted-average remaining lease term (in years):	
Finance leases	3.1
Operating leases	8.3
Weighted-average discount rate:	
Finance leases	3.94%
Operating leases	4.80%

c) Maturity analysis

The future minimum lease payments and receipts from non-cancellable operating leases as at December 31, 2019 for the periods shown are as follows:

	Payments		Receipts
For the year ending December 31,	Finance Leases	Operating Leases	Operating leases
2020	$ 31,657	$ 4,714	$ 3,052
2021	23,151	4,679	3,052
2022	16,522	3,683	2,150
2023	8,064	2,199	999
2024 and thereafter	1,848	11,353	—
Total minimum lease payments	$ 81,242	$ 26,628	$ 9,253
Less: amount representing interest	(4,964)	(5,119)	
Carrying amount of minimum lease payments	$ 76,278	$ 21,509	
Less: current portion of leases	(29,206)	(3,799)	
	$ 47,072	$ 17,710	

11. Investments in "affiliates and joint ventures"

Information regarding the Company's investments in certain Canadian corporations, partnerships 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.

a) Nuna

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 Company accounts for Nuna East Ltd., Nuna West Mining Ltd. and Nuna Pang Contracting Ltd. using the equity method.

Upon initial acquisition of the interest in the NL Partnership, the Company accounted for this investment using proportionate consolidation. On November 1, 2019, the Company entered into a transaction to reorganize its investment in the NL Partnership. Subsequent to the reorganization, the Company's investment in the NL Partnership is held through a corporation and is therefore no longer eligible for certain presentation elections permitting the proportionate method of consolidation. As a result, the Company has applied the equity method prospectively as of November 1, 2019, whereby the Company's share of the assets and liabilities of the NL Partnership were reclassified from the respective accounts to the investments in affiliates and joint ventures. The reorganization did not result in a change in control of the NL Partnership. As a result of the reorganization, the Company did not remeasure the retained investment in the NL Partnership and did not recognize a gain or loss. There has been no change in the Company's continuing involvement in the NL Partnership and there are no changes to the Company's related parties as a result of the reorganization.

The NL Partnership holds investments in various affiliates and joint ventures. These entities were formed to perform heavy construction and mining services primarily in northern jurisdictions. 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 investees of the NL Partnership meet the definition of VIEs. The NL Partnership has consolidated the results of the VIEs for which it is determined to be the primary beneficiary with the recognition of noncontrolling interest, if any, representing amounts attributable to other equity-holders.

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

	NL Partnership Interest[iii]
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%
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]Subsequent to the change in presentation of the NL Partnership on November 1, 2019, the investments of the NL Partnership and the results of these investments are recognized through the Company's equity method investment in the NL Partnership.

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

	December 31, 2019	December 31, 2018
Balance, beginning of the year	$ 11,788	$ —
Additions arising on acquisition	—	11,728
Additions due to change in presentation of NL Partnership	37,025	—
Dividends, repayments of loans and other adjustments	(8,685)	—
Share of net income	2,780	60
Balance, end of the year	$ 42,908	$ 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, 2019	December 31, 2018
Assets		
Current assets	$ 33,734	$ 9,769
Non-current assets	21,370	2,392
Total assets	$ 55,104	$ 12,161
Liabilities		
Current liabilities	$ 10,590	$ 4,013
Non-current liabilities	2,614	3,032
Total liabilities	$ 13,204	$ 7,045

Statement of Operations and Comprehensive Income

Year ended December 31,	2019	2018
Revenues	$ 24,689	$ 1,771
Gross profit	5,148	152
Income before taxes	3,782	98
Net income and comprehensive income	2,780	60

b) Mikisew North American Limited Partnership and Dene North Site Services Partnership

The Company holds a 49% interest in each of Mikisew North American Limited Partnership and Dene North Site Services Partnership, which are unincorporated partnerships. Both are considered VIEs 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 with respect to either partnership because it does not have the exclusive right to direct the activities that most significantly impact the partnership's economic performance. The Company accounts for its interest in these partnerships using proportionate consolidation.

12. Long-term debt

	Note	December 31, 2019	December 31, 2018
Credit facilities	*12(a)*	$ 190,000	$ 194,918
Convertible debentures	*12(b)*	94,031	39,976
Mortgages	*12(c)*	21,739	19,900
Promissory notes	*5(b)*	14,648	42,937
Financing obligations	*12(d)*	15,435	—
Unamortized deferred financing costs	*12(e)*	(3,896)	(1,773)
		$ 331,957	$ 295,958
Less: current portion of long-term debt		(18,514)	(29,996)
		$ 313,443	$ 265,962

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 2019 are: $18.6 million in 2020, $194.0 million in 2021, $4.1 million in 2022, $4.3 million in 2023 and $41.3 million in 2024.

a) Credit facilities

	December 31, 2019	December 31, 2018
Company Credit Facility	$ 190,000	$ 192,000
Nuna Credit Facility	—	2,918
	$ 190,000	$ 194,918

The Company has an Amended and Restated Credit Agreement (the "Company Credit Facility") with a banking syndicate led by National Bank Financial Inc. The Company Credit Facility is comprised solely of a revolving loan (the "Revolver") which allows 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 Company Credit Facility permits finance lease obligations to a limit of $150.0 million and other debt outstanding to a limit of $20.0 million.

As at December 31, 2019, there was $0.9 million (December 31, 2018 - $0.9 million) in issued letters of credit under the Company Credit Facility and the unused borrowing availability was $109.1 million (December 31, 2018 - $107.1 million).

The Company Credit Facility has two financial covenants that must be tested quarterly on a trailing four-quarter basis. As at December 31, 2019, the Company was in compliance with its financial covenants.

- The first covenant is the Senior Leverage Ratio which is Bank Senior Debt plus outstanding letters of credit compared to Bank EBITDA less NACG Acheson Ltd. rental revenue.
    - "Bank Senior Debt" is defined as the Company's long-term debt, finance leases and outstanding letters of credit, excluding Convertible Debentures, deferred financing costs, mortgages related to NACG Acheson Ltd. and debt related to investment in affiliates and joint ventures.
    - "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, and certain other non-cash items included in the calculation of net income.

  The Senior Leverage Ratio must be less than or equal to 3.0:1. 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.
- The second covenant is the 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 Fixed Charge Coverage Ratio is to be maintained at a ratio greater than 1.15:1.

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 Company 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 Company Credit Facility as long-term debt including finance 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 is secured by a first priority lien on all of the Company's existing and after-acquired property excluding the Company's first securities interests on the BDC mortgage.

Due to the November 1, 2019 reorganization of the NL Partnership, amounts outstanding under the Nuna Credit Facility as at December 31, 2019 are now included in investments in affiliates and joint ventures on the consolidated balance sheets (note 11).

b) Convertible debentures

	December 31, 2019	December 31, 2018
5.50% convertible debentures	$ 39,031	$ 39,976
5.00% convertible debentures	55,000	—
	$ 94,031	$ 39,976

The terms of the convertible debentures are summarized as follows:

	Date of issuance	Maturity	Conversion price	Share equivalence per $1000 debenture	Debt issuance costs
5.50% convertible debentures	March 15, 2017	March 31, 2024	$ 10.85	$ 92.1659	$ 2,133
5.00% convertible debentures	March 20, 2019	March 31, 2026	$ 26.25	$ 38.0952	$ 2,691

Interest on the convertible debentures is payable semi-annually on March 31 and September 30 of each year.

The 5.50% convertible debentures are not redeemable prior to March 31, 2020 and the 5.00% convertible debentures are not redeemable. The convertible debentures are redeemable under certain conditions after a change in control has occurred. On or after March 31, 2020, the 5.50% convertible debentures are redeemable at the option of the Company, in whole or in part at a redemption price equal to the principal amount provided the market price of the common shares is at least 125% of the conversions price; and on or after March 31, 2022 at a redemption price equal to the principal amount, plus accrued and unpaid interest to the redemption date.

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.

c) Mortgages

In October 2019, the Company entered into a 25-year mortgage with BDC for $2.2 million. The mortgage has an expiration date of December 2044 and bears variable interest at BDC's floating base rate minus a variance of 1.50%, equal to 4.55% as at December 31, 2019. The mortgage is secured by a first security interest on land in Acheson, Alberta.

In November 2018, the Company entered into a 25-year mortgage with the 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.

d) Financing obligations

During the year ended December 31, 2019, the Company was party to sale-leaseback transactions where control of the assets did not transfer; therefore, the related obligations of $17,524 were accounted for as financing transactions rather than finance leases. The finance contracts expire June 2024 and bear interest at rates between 3.20% and 3.34%. The finance obligations are secured by property, plant and equipment.

e) Deferred financing costs

	December 31, 2019	December 31, 2018
Cost	$ 4,918	$ 2,227
Accumulated amortization	1,022	454
	$ 3,896	$ 1,773

13. 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 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, loans to partnership and joint ventures, accounts payable, accrued liabilities and contract liabilities approximate their carrying amounts due to the nature of the instrument or the relatively short periods to maturity for the instruments. The credit facilities have a carrying value that approximates the fair value due to the floating rate nature of the debt. The mortgages and financing obligations have a carrying value that is not materially different than their fair value.

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

		December 31, 2019		December 31, 2018	
	Fair Value Hierarchy Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Convertible debentures	Level 1	94,031	112,970	39,976	48,371
Finance lease obligations	Level 2	76,278	69,929	86,568	78,373
Promissory notes	Level 2	14,648	14,399	42,937	42,937

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, 2019, the Company held $190.0 million of floating rate debt pertaining to its credit facilities (December 31, 2018 – $194.9 million). As at December 31, 2019, 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, 2019.

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, 2019 and December 31, 2018, the following customers represented 10% or more of accounts receivable and contract assets:

	December 31, 2019	December 31, 2018
Customer 1	36%	16%
Customer 2	25%	8%
Customer 3	13%	33%
Customer 4	12%	12%

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

	December 31, 2019	December 31, 2018
Trade accounts receivable	$ 38,686	$ 67,913
Holdbacks	7,152	558
Accrued trade receivables	13,174	9,807
Contract receivables, included in accounts receivable	$ 59,012	$ 78,278
Other receivables	7,734	4,121
Total accounts receivable	$ 66,746	$ 82,399
Contract assets	19,193	10,673
Total	$ 85,939	$ 93,072

Payment terms are per the negotiated customer contracts and generally range between net 15 days and net 60 days. As at December 31, 2019 and December 31, 2018, trade receivables and holdbacks are aged as follows:

	December 31, 2019	December 31, 2018
Not past due	$ 35,409	$ 60,326
Past due 1-30 days	10,380	6,649
Past due 31-60 days	5	728
More than 61 days	44	768
Total	$ 45,838	$ 68,471

As at December 31, 2019, the Company has recorded an allowance for doubtful accounts of $nil (December 31, 2018 - $nil).

14. Other long-term obligations

	Note	December 31, 2019	December 31, 2018
Directors' deferred stock unit plan	*18(c)*	$ 14,375	$ 13,413
Deferred gain on sale-leaseback	*14(a)*	6,593	8,438
Other		3,536	2,353
Deferred lease inducements liability		—	1,419
		$ 24,504	$ 25,623

a) Deferred gain on sale-leaseback

Changes in deferred gains on sale-leaseback transactions of heavy equipment are summarized below.

	December 31, 2019	December 31, 2018
Balance, beginning of year	$ 8,438	$ 7,654
Addition	—	2,262
Amortization of deferred gain on sale-leaseback	(1,845)	(1,478)
Balance, end of year	$ 6,593	$ 8,438

The gain on sale was deferred and is being amortized in the consolidated statements of operations and comprehensive income over the expected useful life of the equipment.

15. Shares

a) Common shares

Issued and outstanding:

	Common shares	Treasury shares	Common shares, net of treasury shares
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	—	(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
Issued upon exercise of stock options	327,000	—	327,000
Issued upon conversion of convertible debentures	87,096	—	87,096
Purchase of treasury shares	—	(735,857)	(735,857)
Settlement of certain equity classified stock-based compensation	—	1,095,001	1,095,001
Issued and outstanding at December 31, 2019	27,502,912	(1,725,467)	25,777,445

Upon settlement of certain equity classified stock-based compensation during the year ended December 31, 2019, the Company repurchased 513,540 shares for $7,246 to satisfy the recipient tax withholding requirements (year ended December 31, 2018 - 553,036 shares for $4,308). 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

Year ended December 31,	2019	2018
Net income available to common shareholders	$ 36,878	$ 15,286
Interest from convertible debentures (after tax)	3,590	1,792
Diluted net income available to common shareholders	$ 40,468	$ 17,078
Weighted-average number of common shares	25,444,374	24,991,517
Weighted-average effect of dilutive securities		
Dilutive effect of treasury shares	1,898,645	2,394,824
Dilutive effect of stock options	255,378	357,026
Dilutive effect of 5.00% convertible debentures	1,647,487	—
Dilutive effect of 5.50% convertible debentures	3,597,327	3,684,424
Weighted-average number of diluted common shares	32,843,211	31,427,791
Basic net income per share	$ 1.45	$ 0.61
Diluted net income per share	$ 1.23	$ 0.54

For the year ended December 31, 2019, there were no securities that were anti-dilutive. For the year ended December 31, 2018, there were 14,247 stock options that were anti-dilutive and therefore were not considered in computing diluted net income per share.

c) Share purchase programs

Commencing on August 14, 2017, the Company engaged in a normal course issuer bid ("NCIB") under which a maximum number of 2,424,333 common shares were authorized to be purchased. During the year ended December 31, 2018, the Company purchased and subsequently cancelled 1,281,485 shares under this NCIB, 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 will pay an annual aggregate dividend of $0.12 per common share in 2019 and intends to pay $0.16 in subsequent years, payable on a quarterly basis.

	Date declared	Per share	Shareholders on record as of	Paid or payable to shareholders	Total paid or payable
Q4 2018	October 29, 2018	$ 0.02	November 30, 2018	January 4, 2019	$ 500
Q1 2019	February 25, 2019	$ 0.02	March 12, 2019	April 5, 2019	$ 503
Q2 2019	April 30, 2019	$ 0.02	May 31, 2019	July 5, 2019	$ 505
Q3 2019	July 30, 2019	$ 0.04	August 31, 2019	October 4, 2019	$ 1,028
Q4 2019	October 29, 2019	$ 0.04	November 30, 2019	January 3, 2020	$ 1,030

16. Revenue

a) Disaggregation of revenue

Year ended December 31,	2019	2018
Revenue by source		
Construction services	$ 132,310	$ 42,481
Operations support services	586,757	367,580
	$ 719,067	$ 410,061
By commercial terms		
Time-and-materials	$ 343,156	$ 151,796
Unit-price	375,911	253,277
Cost-plus	—	4,988
	$ 719,067	$ 410,061
Revenue recognition method		
Cost-to-cost percent complete	$ 252,054	$ 186,741
As-invoiced	467,013	223,320
	$ 719,067	$ 410,061

b) Customer revenues

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

Year ended December 31,	2019	2018
Customer A	33%	43%
Customer B	27%	2%
Customer C	22%	23%
Customer D	13%	21%

c) Contract balances

	December 31, 2019	December 31, 2018
Contract assets	$ 19,193	$ 10,673
Contract liabilities	23	4,032

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

Year ended December 31,	2019	2018
Balance, beginning of period	$ 10,673	$ 21,572
Transferred to receivables from contract assets recognized at the beginning of the period	(10,276)	(14,701)
Increases as a result of changes to the estimate of the stage of completion, excluding amounts transferred in the period	14,892	2,043
Increases as a result of work completed, but not yet an unconditional right to consideration	5,736	409
Increases as a result of Nuna acquisition	—	1,350
Decreases due to effect of change in presentation of NL Partnership	(1,832)	—
Balance, end of period	$ 19,193	$ 10,673

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

Year ended December 31,	2019	2018
Balance, beginning of period	$ 4,032	$ 824
Revenue recognized that was included in the contract liability balance at the beginning of the period	(4,031)	(84)
Increases due to cash received, excluding amounts recognized as revenue during the period	174	1,379
Increases as a result of Nuna acquisition	—	1,913
Decreases due to effect of change in presentation of NL Partnership	(152)	—
Balance, end of period	$ 23	$ 4,032

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

Year ended December 31,	2019	2018
Revenue recognized	$ 1,857	$ 2,516

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, 2019 of $4,936 (December 31, 2018 - $250).

The Company has recorded amounts in contract assets related to uncollected consideration from revenue recognized on unpriced contract modifications as at December 31, 2019 of $5,312 (December 31, 2018 - $7,526).

The change in unpriced contract modifications during the year ended December 31, 2019 was due to the execution of change orders and an arbitration decision on a previously unresolved claim, offset by additional unresolved modifications and claims.

e) Transaction price allocated to the remaining performance obligations

The following table includes 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. Included is all consideration from contracts with customers, excluding amounts that are recognized using the as-invoiced method and any constrained amounts of revenue.

For the year ended December 31,	
2020	$ 58,966
2021	4,729
2022	4,729
2023	4,729
2024	2,225
	$ 75,378

f) Contract costs

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

	December 31, 2019	December 31, 2018
Reimbursable bid costs	$ —	$ 670
Fulfillment costs	1,016	1,638
	$ 1,016	$ 2,308

During the year ended December 31, 2019, fulfillment costs of were $1,016 capitalized and no reimbursable bid costs were capitalized (December 31, 2018 - $2,611 and $248, respectively).

17. Interest expense, net

Year ended December 31,	2019	2018
Credit facilities	$ 9,826	$ 2,729
Convertible debentures	4,318	2,200
Mortgages	963	105
Promissory notes	1,691	202
Financing obligations	272	—
Finance lease obligations	3,691	2,984
Amortization of deferred financing costs	969	539
Interest expense	$ 21,730	$ 8,759
Interest income	(107)	(175)
	$ 21,623	$ 8,584

18. Stock-based compensation

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

Year ended December 31,	*Note*	2019	2018
Restricted share unit plan	*18(a)*	$ 1,933	$ 2,110
Performance restricted share unit plan	*18(b)*	1,892	1,910
Deferred stock unit plan	*18(c)*	5,618	7,415
Share option plan	*18(d)*	—	97
		$ 9,443	$ 11,532

a) 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 settles RSUs 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, 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	5.88
Granted	193,450	13.40
Vested	(465,194)	4.15
Forfeited	(26,272)	6.01
Outstanding at December 31, 2019	**650,077**	**9.35**

At December 31, 2019, there were approximately $3,104 of unrecognized compensation costs related to non-vested share-based payment arrangements under the RSU plan (December 31, 2018 – $2,754) and these costs are expected to be recognized over the weighted-average remaining contractual life of the RSUs of 1.3 years (December 31, 2018 – 1.3 years). During the year ended December 31, 2019, 465,194 units vested, of which 426,514 units were settled with common shares purchased through a trust arrangement (December 31, 2018 - 487,376 units vested and settled). Subsequent to the year ended December 31, 2019, 38,680 units were settled with common shares purchased through a trust arrangement.

b) Performance restricted share unit plan

Performance Restricted Share Units ("PSU") are granted each year to senior management employees with respect to services to be provided in that year and the following two years. 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 grant date. The Company settles PSUs with common shares purchased through a trust arrangement.

	Number of units	Weighted-average exercise price $ per share
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
Granted	122,274	13.12
Vested	(372,924)	4.45
Forfeited	(8,560)	8.09
Outstanding at December 31, 2019	**481,907**	**8.85**

At December 31, 2019, there were approximately $2,905 of total unrecognized compensation costs related to non–vested share–based payment arrangements under the PSU plan (December 31, 2018 - $2,713) and these costs are expected to be recognized over the weighted-average remaining contractual life of the PSUs of 1.2 years (December 31, 2018 - 1.3 years). During the year ended December 31, 2019, 372,924 units vested, of which 334,244 units were settled with common shares purchased through a trust arrangement at a factor of 2.00 common shares per PSU based on performance against grant date criteria (December 31, 2018 - 353,279 units at a factor of 2.00 vested and settled). Subsequent to the year ended December 31, 2019, 38,680 units were settled with common shares purchased through a trust arrangement.

The Company estimated the fair value of the PSUs granted during the years ended December 31, 2019 and 2018 using a Monte Carlo simulation with the following assumptions:

	2019	2018
Risk-free interest rate	1.43%	1.98%
Expected volatility	40.12%	45.04%

c) Deferred stock unit plan

Under the DSU plan non-officer directors of the Company receive 50% of their annual fixed remuneration 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 1 of the calendar year following the year in which the retirement or death occurred.

	Number of units
Outstanding at December 31, 2017	991,583
Granted	134,656
Outstanding at December 31, 2018	1,126,239
Granted	82,191
Redeemed	(307,385)
Outstanding at December 31, 2019	**901,045**

At December 31, 2019, the fair market value of these units was $15.95 per unit (December 31, 2018 – $11.91 per unit). At December 31, 2019, the current portion of DSU liabilities of $nil was included in accrued liabilities (December 31, 2018 - $nil) and the long-term portion of DSU liabilities of $14,375 was included in other long-term obligations (December 31, 2018 - $13,413) in the consolidated balance sheets. During the year ended December 31, 2019, 307,385 units were redeemed and settled in cash for $5,084 (December 31, 2018 - nil units were redeemed and settled in cash for $nil). There is no unrecognized compensation expense related to the DSUs since these awards vest immediately upon issuance.

d) 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, 2019, 2,495,619 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, 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
Exercised[(i)]	(327,000)	5.97
Outstanding at December 31, 2019	**238,600**	**4.61**

[(i)] All stock options exercised resulted in new common shares being issued (note 15(a)).

Cash received from options exercised for the year ended December 31, 2019 was $1,953 (2018 - $1,023). For the year ended December 31, 2019, 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 $3,274 (December 31, 2018 - $1,351).

The following table summarizes information about stock options outstanding at December 31, 2019:

			Options outstanding and exercisable	
Exercise price	Number	Weighted-average remaining life		Weighted-average exercise price
$2.75	85,100	2.7 years	$	2.75
$2.79	50,000	2.5 years	$	2.79
$5.91	46,300	3.4 years	$	5.91
$6.56	34,000	1.6 years	$	6.56
$9.33	5,300	0.5 years	$	9.33
$10.13	17,900	0.8 years	$	10.13
	238,600	2.4 years	$	4.61

At December 31, 2018, the weighted-average remaining contractual life of outstanding options was 3.3 years and the weighted-average exercise price was $5.40. The fair value of options vested during the year ended December 31, 2019 was $nil (December 31, 2018 – $98). At December 31, 2019, the Company had 238,600 exercisable options (December 31, 2018 – 565,600) with a weighted-average exercise price of $4.61 (December 31, 2018 – $5.40).

At December 31, 2019 and 2018 there were no compensation costs related to non-vested awards not yet recognized and no stock options granted under this plan.

19. Other information

a) Supplemental cash flow information

Year ended December 31,	2019	2018
Cash paid during the year for:		
Interest	$ 20,039	$ 9,258
Operating leases included in cash from operations	4,435	—
Cash received during the year for:		
Interest	72	41
Operating subleases included in cash from operations	3,074	—
Non-cash transactions:		
Addition of property, plant and equipment by means of finance leases	28,107	49,440
Net increase (decrease) in assets held for sale, offset by property, plant and equipment	4,230	(53)
Increase in finance lease obligations related to purchase of heavy equipment fleet and related assets	—	1,759
Increase in finance lease obligations related to investment in affiliates and joint ventures	—	542
Increase in promissory notes related to purchase of heavy equipment fleet and related assets	—	10,851
Increase in long-term debt related to investment in affiliates and joint ventures	—	3,127
Non-cash working capital exclusions:		
Net decrease in contract assets related to adoption of revenue accounting standard	—	(547)
Increase in inventory related to the purchase of heavy equipment fleet and related assets	—	4,268
Net increase in other assets related to adoption of revenue accounting standard	—	502
Net decrease in accrued liabilities related to conversion of bonus compensation to deferred stock units	428	326
Net decrease in long-term portion of payroll liabilities	536	—
Net decrease in other accrued liabilities	582	—
Net (increase) decrease in accrued liabilities related to dividend payable	(530)	10
Non-cash working capital transactions related to investments in affiliates and joint ventures:		
(Decrease) increase in accounts receivable	(10,260)	13,234
(Decrease) increase in contract assets	(1,832)	3,089
(Decrease) increase in inventory	(4,321)	3,926
(Decrease) increase in prepaid expenses	(341)	399
Decrease in contract costs	(349)	—
Decrease (increase) in accounts payable	3,859	(10,604)
Decrease (increase) in accrued liabilities	1,615	(1,136)
Decrease (increase) in contract liabilities	152	(360)

b) Net change in non-cash working capital

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

Year ended December 31,	2019	2018
Operating activities:		
Accounts receivable	$ 5,393	$ (22,359)
Contract assets	(10,352)	13,441
Inventories	(12,579)	(443)
Contract costs	943	(1,384)
Prepaid expenses and deposits	(663)	(1,513)
Accounts payable	28,600	17,665
Accrued liabilities	1,034	5,923
Contract liabilities	(3,857)	2,848
	$ 8,519	$ 14,178

20. Employee benefit plans

The Company and certain subsidiaries contributed $1,161 (2018 – $991) 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.

21. Related party transactions

A director of the Company was 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, 2019, the Company recorded $235, of sublease proceeds December 31, 2018 - $315). As of December 31, 2019, the director is no longer an officer of the business that subleases space from the Company.

The Company entered into related party transactions through a number of affiliates and joint ventures that involve providing or receiving services in the normal course of business.

In June of 2019, the Company purchased heavy equipment from the NL Partnership for $1,300 settled in cash.

The following table provides the total dollar amount for income statement transactions that have been entered into with the NL Partnership and its affiliates during the year ended:

	December 31, 2019	December 31, 2018
Revenue	$ 597	$ 677
Management fee revenue	2,482	345

The Company's revenue generated from joint ventures and affiliates are related to heavy construction and mining services. The Company receives management fee revenue from its investment in joint ventures and affiliates pursuant management agreements in place for certain services provided. 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 the NL Partnership and its affiliates:

	December 31, 2019	December 31, 2018
Accounts receivable	$ 1,202	$ 3,074
Accounts payable and accrued liabilities	251	13

Accounts receivable, 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, and all other accounts receivable amounts are non-interest bearing.

22. Comparative figures

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

23. 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

EXHIBIT 99.4

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2019



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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management's Discussion and Analysis

For the year ended December 31, 2019

February 19, 2020

The following Management's Discussion and Analysis ("MD&A") is as of December 31, 2019 and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2019 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 summary information contained in this MD&A has also been prepared in accordance with GAAP and 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.

OVERALL PERFORMANCE

Annual MD&A - Highlights

(Expressed in thousands of Canadian Dollars, except per share amounts)	Year ended December 31,		
	2019	2018	Change
Revenue	**$ 719,067**	**$ 410,061**	**$ 309,006**
Gross profit	**96,412**	**69,076**	**27,336**
Gross profit margin	**13.4%**	**16.8%**	**(3.4)%**
Operating income	**58,798**	**29,980**	**28,818**
Adjusted EBITDA[i][ii]	**174,229**	**101,834**	**72,395**
Adjusted EBITDA margin[i]	**24.2%**	**24.8%**	**(0.6)%**
Net income and comprehensive income available to shareholders	**36,878**	**15,286**	**21,592**
Adjusted net earnings[i]	43,724	24,853	18,871
Cash provided by operating activities	**157,944**	**109,371**	**48,573**
Cash provided by operating activities prior to change in working capital[i]	149,425	95,193	54,232
Free cash flow[i]	**25,592**	**60,686**	**(35,094)**
Purchase of PPE	**157,026**	**81,078**	**75,948**
Sustaining capital additions[i]	124,766	53,136	71,630
Growth capital additions[i]	45,803	39,666	6,137
Basic net income per share	**$ 1.45**	**$ 0.61**	**$ 0.84**
Adjusted EPS[i]	$ 1.72	$ 0.99	$ 0.73

[i]See "Non-GAAP Financial Measures".
[ii]In the three months ended December 31, 2019 we changed the calculation of adjusted EBITDA due to the reorganization of the NL Partnership. This change has not been reflected in results prior to the three months ended December 31, 2019. Applying this change to previously reported periods would result in increased adjusted EBITDA of $0.8 million in 2019 and $0.1 million in 2018.

Annual revenue in 2019 reflects the full impact of the Nuna acquisition and the $198.0 million heavy equipment fleet acquisition both made in Q4 2018 (see our most recent Annual Information Form for further details on the acquisitions). Annual revenue in 2019 also reflects only the partial year impacts of the growth capital additions in 2019. Revenue of $719.1 million represents a $309.0 million increase, or 75% year-over-year. Breaking down this 75%, roughly 35% can be attributed to the heavy equipment fleet acquired in 2018 and 15% to the ultra-class truck fleet acquired throughout 2019. Our ownership interest in Nuna contributed 8% of the year-over-year increase; however, reported revenue of $37.0 million from Nuna excludes $24.7 million of revenue that is reported in equity earnings, along with associated costs, within the consolidated statement of operations and comprehensive income. Including this revenue, the year-over-year increase was 81%. Of specific note, effective November 1, 2019, all Nuna revenue and costs are reported in equity earnings, which impacted Q4 2019 gross revenue. Excluding the roughly 60% contributed through acquisition activities discussed above, net organic year-over-year growth of 15% was driven by several factors: strong overall utilization of our legacy fleet in Q1 2019, an earlier ramp-up in Q4 2019 at the Aurora Mine, the incremental expansion of the external maintenance offering in 2019 and the operations support

contract at a coal mine in Wyoming, which commenced in Q2 2019. Offsetting these positives was the impact of unusually consistent and heavy rainfall in July and August in the Fort McMurray region, which is estimated to have impacted revenue by approximately $20.0 million.

Gross profit margin for the year of 13.4% was impacted by integration related factors during 2019 but was primarily driven by the poor operating conditions relating to weather in Q3, as lost or deferred revenue was compounded with increased site cleanup activities and idle operator time.

Included in the gross profit margin for the year was depreciation of $101.6 million, or 14.1% of revenue, which was comparable to the prior year rate of 14.2%. Our continued improvements to component maintenance and performance benefitted depreciation, but the condition of the components of the heavy equipment fleet acquired in 2018 led to our Q4 2018 and full year 2019 rates being slightly higher than expected.

General and administrative expenses (excluding stock based compensation) of $27.5 million was 3.8% of revenue which sets an annual run-rate record. This level of administrative spending reflects the minimalist and disciplined approach to incremental overhead costs that our business allows for.

Despite the operational challenges of an integration focused year, adjusted EBITDA of $174.2 million is a 71.1% increase, generally reflecting the 75.4% revenue increase, illustrating the operating leverage gained by maintaining administrative spending while adding significant top-line revenue.

Net interest expense was $21.6 million for the year including approximately $2.4 million of non-cash interest. Our average cash cost of debt for the year was 4.8% and is primarily driven by the effective rate paid on the Company Credit Facility as well as the competitive interest rates for secured equipment financing.

Adjusted EPS of $1.72 on adjusted net earnings of $43.7 million reflects the above factors as well as the benefit from the Alberta corporate tax reduction, which impacted the 2019 tax expense by $5.8 million.

Free cash flow of $25.6 million is generally the culmination of adjusted EBITDA of $174.2 million, mentioned above, less sustaining capital additions of $124.8 million and cash interest paid of $20.0 million. The 2019 capital program reflects the increased run-rate of our directly owned heavy equipment fleet of over 600 assets, but importantly was impacted by the deferred maintenance catch-up on the acquired fleet of approximately $20.0 million.

FINANCIAL HIGHLIGHTS

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)	**2019**	**2018**	**2017**	**2016**	**2015**
Operating Data[i]					
Revenue	$ 719,067	$ 410,061	$ 292,557	$ 213,180	$ 281,282
Gross profit	96,412	69,076	39,647	32,343	31,890
Gross profit margin	13.4%	16.8%	13.6%	15.2%	11.3%
Operating income	58,798	29,980	13,407	3,923	2,837
Adjusted EBIT[ii][v]	71,021	43,072	17,429	10,830	5,333
Adjusted EBITDA[ii][v]	174,229	101,834	63,082	53,312	47,719
Adjusted EBITDA margin[ii]	24.2%	24.8%	21.6%	25.0%	17.0%
Net income (loss) and comprehensive income (loss) available to shareholders	36,878	15,286	5,264	(445)	(7,470)
Adjusted net earnings[ii]	43,724	24,853	8,197	3,599	(5,675)
Per share information					
Basic net income per share	$ 1.45	$ 0.61	$ 0.20	$ (0.01)	$ (0.23)
Diluted net income per share	$ 1.23	$ 0.54	$ 0.18	$ (0.01)	$ (0.23)
Adjusted EPS[ii]	$ 1.72	$ 0.99	$ 0.31	$ 0.12	$ (0.19)
Balance Sheet Data					
Total assets	$ 792,652	$ 689,800	$ 383,644	$ 350,081	$ 360,177
Total debt	412,131	384,299	138,969	100,972	110,942
Cash	(5,544)	(19,508)	(8,186)	(13,666)	(32,351)
Net debt[iii]	406,587	364,791	130,783	87,306	78,591
Total shareholders' equity	180,119	149,721	145,924	158,954	171,618
Invested capital[iv]	$ 586,706	$ 514,512	$ 276,707	$ 246,260	$250,209
Outstanding common shares, excluding treasury shares	25,777,445	25,004,205	25,452,224	28,305,660	31,893,478
Cash dividend declared per share	0.12	0.08	0.08	0.08	0.08

[i] The current year and prior year data includes proportionately consolidated amounts of affiliates and joint ventures.
[ii] For a definition of adjusted EBIT, adjusted EBITDA, adjusted EBITDA margin, adjusted net earnings, adjusted EPS, and a reconciliation to net income see "Non-GAAP Financial Measures" and "Summary of Consolidated Results" in this MD&A.
[iii] Net debt is calculated as total debt less cash and cash equivalents recorded on the balance sheet, excluding deferred financing costs.
[iv] Invested capital is calculated as total shareholders' equity plus net debt.
[v] In the three months ended December 31, 2019 we changed the calculation of adjusted EBIT and adjusted EBITDA due to the reorganization of the NL Partnership. This change has not been reflected in results prior to the three months ended December 31, 2019. Applying this change to previously reported periods would result in respective increases in adjusted EBIT and adjusted EBITDA of $0.8 million and $0.9 million in 2019, $0.1 million and $0.1 million in 2018. This change had no impact for the periods ended 2017, 2016 and 2015.

Summary of net income for the three months and year ended 2019

	Three months ended December 31,		Year ended December 31,	
(dollars in thousands, except per share amounts)	2019	2018	2019	2018
Revenue	$ 189,455	$ 131,001	$ 719,067	$ 410,061
Project costs	66,091	48,094	277,646	152,943
Equipment costs	69,960	46,424	243,427	129,692
Depreciation	28,327	18,179	101,582	58,350
Gross profit	**$ 25,077**	**$ 18,304**	**$ 96,412**	**$ 69,076**
Gross profit margin	13.2%	14.0%	13.4%	16.8%
General and administrative expenses (excluding stock-based compensation)	7,639	8,034	27,491	25,578
Stock-based compensation expense	1,754	2,509	9,443	11,532
Interest expense, net	5,498	3,444	21,623	8,584
Net income and comprehensive income available to shareholders	$ 8,242	$ 2,656	$ 36,878	$ 15,286
Adjusted EBITDA[(i)(ii)]	$ 47,789	$ 28,442	$ 174,229	$ 101,834
Adjusted EBITDA margin[(i)]	25.2%	21.7%	24.2%	24.8%
Per share information				
Basic net income per share	$ 0.32	$ 0.11	$ 1.45	$ 0.61
Diluted net income per share	$ 0.28	$ 0.10	$ 1.23	$ 0.54
Adjusted EPS[(i)]	$ 0.38	$ 0.18	$ 1.72	$ 0.99

(i) See "Non-GAAP Financial Measures".
(ii) In the three months ended December 31, 2019 we changed the calculation of adjusted EBITDA. This change has not been reflected in results prior to the three months ended December 31, 2019. Applying this change to previously reported periods would result in respective increases in Adjusted EBIT and Adjusted EBITDA of $0.8 million and $0.9 million for the year-ended December 31, 2019 and $0.1 million and $0.1 million for the three months ended and year-ended December 31, 2018.

A reconciliation of net income and comprehensive income available to shareholders to adjusted net earnings, adjusted EBIT and adjusted EBITDA is as follows:

	Three months ended December 31,		Year ended December 31,	
(dollars in thousands)	2019	2018	2019	2018
Net income and comprehensive income available to shareholders	$ 8,242	$ 2,656	$ 36,878	$ 15,286
Adjustments:				
Loss (gain) on disposal of property, plant and equipment	259	178	(31)	(158)
Stock-based compensation expense	1,754	2,509	9,443	11,532
Restructuring costs	—	—	1,442	—
Pre-2019 inventory correction	—	—	(2,775)	—
Loss on sublease	—	—	—	1,732
Loss on legacy claim settlement	—	—	1,235	—
Tax effect of the above items	(534)	(725)	(2,468)	(3,539)
Adjusted net earnings[(i)]	**$ 9,721**	**$ 4,618**	**$ 43,724**	**$ 24,853**
Adjustments:				
Tax effect of the above items	534	725	2,468	3,539
Interest expense, net	5,498	3,444	21,623	8,584
Income tax expense	2,370	1,424	2,858	6,096
Equity earnings in affiliates and joint ventures[(ii)]	(795)	—	(795)	—
Equity investment EBIT[(i)]	1,143	—	1,143	—
Adjusted EBIT[(i)(ii)]	**$ 18,471**	**$ 10,211**	**$ 71,021**	**$ 43,072**
Adjustments:				
Depreciation	28,327	18,179	101,582	58,350
Amortization of intangible assets	76	52	711	412
Equity investment depreciation and amortization[(i)(ii)]	915	—	915	—
Adjusted EBITDA[(i)(ii)]	**$ 47,789**	**$ 28,442**	**$ 174,229**	**$ 101,834**

(i) See "Non-GAAP Financial Measures".
(ii) In the three months ended December 31, 2019 we changed the calculation of adjusted EBITDA. This change has not been reflected in results prior to the three months ended December 31, 2019. Applying this change to previously reported periods would result in respective increases in adjusted EBIT and adjusted EBITDA of $0.8 million and $0.9 million for the year-ended December 31, 2019 and $0.1 million and $0.1 million for the three months ended and year-ended December 31, 2018.

We have included equity investment EBITDA in the calculation of adjusted EBITDA beginning in the fourth quarter of 2019. Below is a reconciliation of the amount included in adjusted EBITDA for the three months and year ended December 31, 2019 .

	Three months ended December 31,	Year ended December 31,
(dollars in thousands)	2019	2019
Equity earnings in affiliates and joint ventures	$ 795	$ 795
Adjustments:		
Interest expense, net	44	44
Income tax expense	316	316
Gain on disposal of property, plant and equipment	(12)	(12)
Equity investment EBIT[(i)(ii)]	**$ 1,143**	**$ 1,143**
Depreciation	$ 836	$ 836
Amortization of intangible assets	79	79
Equity investment depreciation and amortization[(i)(ii)]	**$ 915**	**$ 915**

(i) See "Non-GAAP Financial Measures"

(ii) In the three months ended December 31, 2019 we changed the calculation of adjusted EBITDA. This change has not been reflected in results prior to the three months ended December 31, 2019. Applying this change to previously reported periods would result in respective increases in adjusted EBIT and adjusted EBITDA of $0.8 million and $0.9 million for the year-ended December 31, 2019 and $0.1 million and $0.1 million for the three months ended and year-ended December 31, 2018.

Upon initial acquisition of the interest in Nuna, we accounted for the investment using proportionate consolidation. On November 1, 2019, we entered into a transaction to reorganize our investment in Nuna. Subsequent to the reorganization, our investment in Nuna is held through a corporation rather than a partnership and is therefore no longer eligible for certain presentation elections permitting the proportionate method of consolidation. As a result, we have applied the equity method prospectively as of November 1, 2019, whereby our share of the assets and liabilities of the NL Partnership were reclassified from the respective accounts to the investments in affiliates and joint ventures.

Analysis of three month and year ended December 31, 2019 Results

Revenue

For the three months ended December 31, 2019, revenue was $189.5 million, up from $131.0 million in the same period last year. The revenue growth was attributable to both the strong ramp up of winter work programs at the Millennium Mine and new work at the Fort Hills and Aurora Mine acquired from the heavy equipment fleet purchase in Q4 2018. New volumes this quarter included mine services and reclamation work at the Aurora and Mildred Lake Mines, which was generated from backlog subsequent to the asset acquisition. Adding to the strong quarter was revenue generated from our external maintenance services as we completed the rebuild of two haul trucks and one loader. These increases were partially offset by a reduction in scope at the Kearl Mine and reduced activity at the Highland Valley Copper Mine as the project ended in late Q4.

For the year ended December 31, 2019, revenue was $719.1 million, up from $410.1 million for the year ended December 31, 2018. The increase of 75.4% in revenue was achieved through our expanded fleet, new civil construction services at Mildred Lake, mine support services at the Millennium Mine and increases in overburden removal activity from the new ultra-class fleet. Heavy civil construction work assumed from the Fort Hills legacy contracts was completed in late Q4. We experienced reduced tailings pond support activity at the Millennium Mine, which was offset by the three-year mining support services contract secured in Q1 2019. New volumes in the year included mine services and reclamation work at the Aurora Mine and overburden stripping work at the Kearl Mine. Furthermore, throughout the year and culminating in Q4, we saw continued expansion of our external maintenance service as we complete major rebuilds for mining clients. These increases were partially offset by higher mine support activity in 2018 at the Highland Valley Copper Mine in British Columbia. Revenue from Nuna of $37.0 million is diversified across several areas of expertise, including summer season project execution work, winter road construction, site services, drilling support and mine remediation. Reported gross revenue from Nuna ended on October 31, 2019 due to a corporate reorganization, at which point reported revenue for November and December was netted against cost in equity earnings.

Gross profit

For the three months ended December 31, 2019, gross profit was $25.1 million or 13.2% of revenue, up from a gross profit of $18.3 million but down from 14.0% of revenue during the same period last year. The higher gross profit in the current period was primarily driven by the higher revenue in the current year. The slight decrease in margin was driven by a reduction of tailing pond support activity and sub-optimal operating conditions at certain mines. Additionally, margins continue to be impacted by increased repair and maintenance costs related to the fleet acquired in Q4 2018.

For the year ended December 31, 2019, gross profit was $96.4 million, or 13.4% of revenue, up from $69.1 million but down from 16.8% of revenue in the previous year. The improvement in gross profit was a direct result of the revenue growth in the current year. The decrease in gross profit margin was driven by the early and abrupt spring breakup, the difficult operating conditions in July and August from the consistent rainfalls and the reduction of tailings pond support activities at the Millennium Mine. Additionally, margins were negatively impacted by increased equipment maintenance activities on our recently acquired equipment fleet to bring them up to our operating standards. Partially offsetting these decreases was gross profit earned from six months of the operations support contract at a coal mine in Wyoming and the full year of strong margins achieved by Nuna. The external maintenance offering also had a noticeable positive impact to the year as it contributed strong gross profit margins with the completion and delivery of rebuilt haul trucks, loaders and track frames during the year.

For the three months ended December 31, 2019, depreciation was $28.3 million (or 15.0% of revenue), up from $18.2 million (or 13.9% of revenue) in the same period last year. Depreciation for the year ended December 31, 2019 was $101.6 million (14.1% of revenue), up from $58.4 million (14.2% of revenue) for the year ended December 31, 2018. Our continued improvements to component maintenance and performance benefitted depreciation but the condition of the components of the heavy equipment fleet acquired in 2018 led to our Q4 2018 and full year 2019 rates being slightly higher than expected.

Operating income

For the three months ended December 31, 2019, operating income was $15.3 million, compared to operating income of $7.5 million during the same period last year. G&A expense (excluding stock-based compensation expense) was $7.6 million, or 4.0% of revenue for the three months ended December 31, 2019, down from $8.0 million, or 6.1% of revenue in the same period last year. The slight decrease in the quarter was due to the acquisition activities that took place in Q4 2018.

For the year ended December 31, 2019, operating income was $58.8 million, up from $30.0 million for the year ended December 31, 2018. G&A expense (excluding stock-based compensation expense) was $27.5 million for the year ended December 31, 2019, or 3.8% of revenue, up from the $25.6 million, and down from 6.2% of revenue, recorded in the year ended December 31, 2018. The year-over-year gross increase reflects routine salary increases as well as a slightly higher administrative headcount level required to support our larger fleet and expanded services in external maintenance and mine management. Inflation had no material impact on our results in the year due in part to its relatively low level and in part due to existing price escalators in our contracts.

Non-Operating Income and Expense

	Three months ended December 31,		Year ended December 31,	
(dollars in thousands)	2019	2018	2019	2018
Interest expense				
Credit facilities	$ 2,534	$ 1,767	$ 9,826	$ 2,729
Convertible debentures	1,234	555	4,318	2,200
Mortgages	252	105	963	105
Promissory notes	292	202	1,691	202
Financing obligations	134	—	272	—
Finance lease obligations	829	673	3,691	2,984
Amortization of deferred financing costs	247	144	969	539
Interest expense	**$ 5,522**	**$ 3,446**	**$ 21,730**	**$ 8,759**
Other interest income	(24)	(2)	(107)	(175)
Total interest expense	**$ 5,498**	**$ 3,444**	**$ 21,623**	**$ 8,584**
Equity earnings in affiliates and joint ventures	(795)	(60)	(2,780)	(60)
Foreign exchange loss (gain)	17	32	(36)	39
Income tax expense	2,370	1,424	2,858	6,096

Total interest expense was $5.5 million during the three months ended December 31, 2019 , up from $3.4 million in the same period last year. In the year ended December 31, 2019, total interest expense was $21.6 million, up from the $8.6 million the year ended December 31, 2018. The increased interest expense in the current year relates to increased levels of long term debt resulting from acquisition activities in Q4 2018, which were entirely funded through debt.

Cash related interest expense for the three months ended December 31, 2019 , calculated as interest expense excluding amortization of deferred financing costs of $0.2 million and non-cash implied interest of $0.3 million, was $5.0 million and represents an average cash cost of debt of 4.8% which excludes debt balance fluctuations during the quarter. Cash related interest expense for the year ended December 31, 2019 (excluding amortization of $1.0 million and implied interest of $1.5 million) was $19.2 million and represents an average cost of debt of 4.8%.

Equity earnings in affiliates and joint ventures of $0.8 million and $2.8 million for the three months and year ended December 31, 2019 , respectively, was generated by the entities within Nuna that are accounted for using the equity method. Upon initial acquisition of the interest in the NL Partnership, we accounted for this investment using proportionate consolidation. On November 1, 2019, a transaction was entered into to reorganize the investment in the NL Partnership. The investment is now held through a corporation and is no longer eligible for certain presentation elections permitting the proportionate method of consolidation. As a result, the equity method has been applied as of November 1, 2019.

We recorded income tax expense of $2.4 million and $2.9 million, respectively, during the three months and year ended December 31, 2019 , an increase from the $1.4 million and a decrease from the $6.1 million income tax expense recorded in the respective prior year periods. The current year income tax expense resulted from the effect of temporary and permanent differences and the associated impact of the decreased Alberta general corporate income tax rate, which came into effect on July 1, 2019.

Net income and comprehensive income available to shareholders

For the three months ended December 31, 2019, net income and comprehensive income available to shareholders was $8.2 million (basic income per share of $0.32 and diluted income per share of $0.28), compared to a net income of $2.7 million (basic income per share of $0.11 and diluted income per share of $0.10) during the same period last year.

For the year ended December 31, 2019, net income and comprehensive income available to shareholders was $36.9 million (basic income per share of $1.45 and diluted income per share of $1.23), compared to a net income and comprehensive income available to shareholders of $15.3 million (basic income per share of $0.61 and diluted income per share of $0.54) during the same period last year.

Basic and diluted income per share in the current period was partially affected by the increase in issued and outstanding common shares (27,502,912 as at December 31, 2019 compared to 27,088,816 outstanding voting

common shares as at December 31, 2018). For a full discussion on our capital structure see "Outstanding Share Data" in this MD&A.

The table below provides the calculation of our adjusted EPS:

	Three months ended December 31,		Year ended December 31,	
(dollars in thousands)	2019	2018	2019	2018
Net income and comprehensive income	$ 8,259	$ 2,691	$ 37,133	$ 15,321
Net income attributable to noncontrolling interest	(17)	(35)	(255)	(35)
Net income and comprehensive income available to shareholders	$ 8,242	$ 2,656	$ 36,878	$ 15,286
Adjusted net earnings[(i)]	**$ 9,721**	**$ 4,618**	**$ 43,724**	**$ 24,853**
Weighted-average number of common shares	**25,750,869**	**24,995,992**	**25,444,374**	**24,991,517**
Weighted-average number of diluted shares	33,349,334	27,425,516	32,843,211	31,427,791
Basic net income per share	$ 0.32	$ 0.11	$ 1.45	$ 0.61
Adjusted EPS[(i)]	**$ 0.38**	**$ 0.18**	**$ 1.72**	**$ 0.99**
Diluted net income per share	$ 0.28	$ 0.10	$ 1.23	$ 0.54

(i) See "Non-GAAP Financial Measures".

Summary of Consolidated Quarterly Results

A number of factors 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, the Company Credit Facility and finance 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:

(dollars in millions, except per share amounts)	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Revenue	**$ 189.5**	**$ 166.3**	**$ 176.9**	**$ 186.4**	**$ 131.0**	**$ 84.9**	**$ 79.5**	**$ 114.7**
Gross profit	25.1	18.3	23.5	29.6	18.3	14.3	9.7	26.8
Adjusted EBITDA[(i)(ii)]	47.8	37.2	37.1	52.1	28.4	19.1	15.2	39.1
Net income and comprehensive income available to shareholders	**8.2**	**7.6**	**13.9**	**7.2**	**2.7**	**1.5**	**0.0**	**11.1**
Basic income per share[(iii)]	$ 0.32	$ 0.29	$ 0.55	$ 0.29	$ 0.11	$ 0.06	$ 0.00	$ 0.44
Diluted income per share[(iii)]	$ 0.28	$ 0.26	$ 0.45	$ 0.25	$ 0.10	$ 0.05	$ 0.00	$ 0.36
Adjusted EPS[(i)(iii)]	$ 0.38	$ 0.41	$ 0.43	$ 0.50	$ 0.18	$ 0.19	$ 0.07	$ 0.55
Cash dividend per share[(iv)]	$ 0.04	$ 0.04	$ 0.02	$ 0.02	$ 0.02	$ 0.02	$ 0.02	$ 0.02

(i) See "Non-GAAP Financial Measures".

(ii) In the three months ended December 31, 2019 we changed the calculation of adjusted EBIT and adjusted EBITDA due to the reorganization of the NL Partnership. This change has not been reflected in results prior to the three months ended December 31, 2019. Applying this change to previously reported periods would result in respective increases in adjusted EBIT and adjusted EBITDA of $0.5 million and $0.0 million in Q3 2019, $0.3 million and $0.0 million in Q2 2019, $0.2 million and $0.0 million in Q1 2019, $0.1 million and $0.0 million in Q1 2018, Q2 2018, Q3 2018 and Q4 2018.

(iii) Net income 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.

(iv) The timing of payment of the cash dividend per share may differ from the dividend declaration date.

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. Extreme winter weather conditions, 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.

We generally experience a seasonal 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 as weather conditions make performance of this heavy equipment intensive work 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.

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.

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.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Consolidated Financial Position

As at December 31, 2019, we had $5.5 million in cash and $109.1 million of unused borrowing availability on the Company Credit Facility, for a total liquidity of $114.6 million (defined as cash plus available and unused Company Credit Facility borrowings). This is compared to our total liquidity of $115.8 million at December 31, 2018 ($8.7 million cash, excluding interest in partnership cash, and $107.1 million available and unused Company Credit Facility borrowings). Our liquidity is complemented by available borrowings through our equipment leasing partners. Under the terms of our Company Credit Facility, our finance lease borrowing is limited to $150.0 million. As at December 31, 2019, we had $53.9 million in unused finance lease borrowing availability under our Company Credit Facility, compared to $63.4 million at December 31, 2018. There are no restrictions within the terms of our Company

Credit Facility relating to the use of operating leases. As at December 31, 2019, our total available capital liquidity was $168.7 million (defined as total liquidity plus unused finance lease borrowing availability under our Company Credit Facility) compared to $179.3 million at December 31, 2018.

Summary of consolidated financial position

(dollars in thousands)	December 31, 2019	December 31, 2018	Change
Cash	$ 5,544	$ 19,508	$ (13,964)
Working capital assets			
Accounts receivable	$ 66,746	$ 82,399	$ (15,653)
Contract assets	19,193	10,673	8,520
Inventories	21,649	13,391	8,258
Contract costs	1,016	2,308	(1,292)
Prepaid expenses and deposits	4,245	3,736	509
Working capital liabilities			
Accounts payable	(88,201)	(63,460)	(24,741)
Accrued liabilities	(17,560)	(19,157)	1,597
Contract liabilities	(23)	(4,032)	4,009
Total net working capital (excluding cash)	**$ 7,065**	**$ 25,858**	**$ (18,793)**
Property, plant and equipment	587,729	528,157	59,572
Total assets	792,652	689,800	102,852
Finance lease obligations[(i)]	76,278	86,568	(10,290)
Credit facilities[(i)]	190,000	192,000	(2,000)
Promissory notes	14,648	42,937	(28,289)
Financing obligations	15,435	—	15,435
Senior debt[(ii)]	**$ 296,361**	**$ 321,505**	**$ (25,144)**
Convertible debentures	94,031	39,976	54,055
Mortgage[(i)]	21,739	19,900	1,839
Nuna Credit Facility[(iii)]	—	2,918	(2,918)
Total debt[(ii)]	**$ 412,131**	**$ 384,299**	**$ 27,832**
Cash	(5,544)	(19,508)	(13,964)
Net debt[(ii)]	**$ 406,587**	**$ 364,791**	**$ 41,796**
Total shareholders' equity	180,119	149,721	30,398
Invested capital[(iv)]	**$ 586,706**	**$ 514,512**	**$ 72,194**

[(i)] Includes current portion.
[(ii)] For a definition of senior debt, total debt and net debt, see "Non-GAAP Financial Measures".
[(iii)] Due to the November 1, 2019 reorganization of the NL Partnership, amounts outstanding under the Nuna Credit Facility as at December 31, 2019 are now included in investments in affiliates and joint ventures on the consolidated balance sheets.
[(iv)] Invested capital is calculated as total shareholders' equity plus net debt.

As at December 31, 2019, we had $ nil in trade receivables that were more than 30 days past due, down from $1.5 million as at December 31, 2018. As at December 31, 2019 and December 31, 2018, we did not have an allowance for doubtful accounts related to our trade receivables as we believe that there is minimal risk in the collection of past due trade receivables. We continue to monitor the credit worthiness of our customers. As at December 31, 2019, holdbacks totaled $7.2 million, up from the $0.6 million balance as at December 31, 2018.

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.

Capital Resources

Our capital resources consist primarily of cash flow provided by operating activities, cash and cash equivalents, borrowings under our Company 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 finance 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 2020 from existing cash balances, cash provided by operating activities and borrowings under our Company Credit Facility.

	Three months ended December 31,		Year ended December 31,	
(dollars in thousands)	2019	2018	2019	2018
Purchase of PPE	$ 38,571	$ 20,466	$ 157,026	$ 81,078
Additions to intangibles	48	89	422	380
Gross capital expenditures	**$ 38,619**	**$ 20,555**	**$ 157,448**	**$ 81,458**
Proceeds from sale of PPE	(1,200)	(29,841)	(4,462)	(36,274)
Change in capital inventory	(4,234)	(591)	(10,524)	(1,822)
Capital expenditures, net[(i)]	**33,185**	**(9,877)**	**142,462**	**43,362**
Lease additions	—	30,396	28,107	49,440
Capital additions[(i)]	**$ 33,185**	**$ 20,519**	**$ 170,569**	**$ 92,802**

[(i)]See "Non-GAAP Financial Measures".

	Three months ended December 31,		Year ended December 31,	
(dollars in thousands)	2019	2018	2019	2018
Sustaining	$ 23,663	$ (17,302)	$ 96,659	$ 3,696
Growth	9,522	7,425	45,803	39,666
Capital expenditures, net[(i)]	**33,185**	**(9,877)**	**142,462**	**43,362**
Sustaining	—	30,396	28,107	49,440
Lease additions	**—**	**30,396**	**28,107**	**49,440**
Sustaining	23,663	13,094	124,766	53,136
Growth	9,522	7,425	45,803	39,666
Capital additions[(i)]	**$ 33,185**	**$ 20,519**	**$ 170,569**	**$ 92,802**

[(i)]See "Non-GAAP Financial Measures".

Capital additions for the three months ended December 31, 2019 were $33.2 million ($20.5 million in the prior year). Included in this amount was $9.5 million of growth capital largely related to the purchase and commissioning of trucks and a shovel required to fulfill performance obligations under long-term contracts as well as a land investment adjacent to the Acheson maintenance facility. Included in the prior year amount was $7.4 million of growth capital relating to the construction of our maintenance and office facility, coupled with the continued strategic acquisition of used equipment.

Capital additions for the year ended December 31, 2019 were $170.6 million ($92.8 million in the prior year). Included in this amount was $45.8 million of growth capital with the balance supporting our sustaining capital investment requirements ($39.7 million in the prior year which is excluding acquisitions). The growth capital investment in the current year primarily reflects the continued strategic acquisition of used equipment coupled with an acquisition of addition land next to the Acheson maintenance facility.

A portion of our heavy construction fleet is financed through finance leases. We continue to lease our motor vehicle fleet through our finance lease facilities. During all current and prior year periods, capital additions financed through finance leases were for sustaining capital additions. Our equipment fleet is currently split among owned (57%), finance leased (32%) and rented equipment (11%).

Summary of Consolidated Cash Flows

	Three months ended December 31,		Year ended December 31,	
(dollars in thousands)	2019	2018	2019	2018
Cash provided by operating activities	$ 82,473	$ 36,911	$ 157,944	$ 109,371
Cash used by investing activities	(48,154)	(173,766)	(160,678)	(228,614)
Cash (used) provided by financing activities	(40,937)	156,133	(11,230)	130,565
Net (decrease) increase in cash	**$ (6,618)**	**$ 19,278**	**$ (13,964)**	**$ 11,322**

Operating activities

	Three months ended December 31,		Year ended December 31,	
(dollars in thousands)	2019	2018	2019	2018
Cash provided by operating activities prior to change in working capital[(i)]	$ 44,999	$ 26,575	$ 149,425	$ 95,193
Net changes in non-cash working capital	37,474	10,336	8,519	14,178
Cash provided by operating activities	**$ 82,473**	**$ 36,911**	**$ 157,944**	**$ 109,371**

[(i)]See "Non-GAAP Financial Measures".

Cash provided by operating activities for the three months ended December 31, 2019 was $82.5 million, compared to cash provided by operating activities of $36.9 million in for the three months ended December 31, 2018. Cash provided by operating activities for the year ended December 31, 2019 was $157.9 million, compared to cash provided by operating activities of $109.4 million in for the year ended December 31, 2018.

The increase in cash flow in the current year is a result of increases in adjusted EBITDA, offset by lower cash from working capital due to the timing of working capital balances. Cash provided by (used in) the net change in non-cash working capital specific to operating activities is detailed below.

	Three months ended December 31,		Year ended December 31,	
(dollars in thousands)	2019	2018	2019	2018
Accounts receivable	$ 13,596	$ (11,585)	$ 5,393	$ (22,359)
Contract assets	(1,540)	239	(10,352)	13,441
Inventories	1,020	1,284	(12,579)	(443)
Contract costs	(1,033)	(1,316)	943	(1,384)
Prepaid expenses and deposits	701	(842)	(663)	(1,513)
Accounts payable	27,665	15,586	28,600	17,665
Accrued liabilities	1,681	5,624	1,034	5,923
Contract liabilities	(4,616)	1,346	(3,857)	2,848
	$ 37,474	**$ 10,336**	**$ 8,519**	**$ 14,178**

Investing activities

During the three months ended December 31, 2019, cash used for investing activities was $48.2 million, compared to $173.8 million in cash used for investing activities in the three months ended December 31, 2018. Current period investing activities largely relate to $38.6 million for the purchase of property, plant and equipment, offset by $1.2 million in proceeds on disposal of property, plant and equipment. Prior year investing activities 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, and $20.6 million for the purchase of property, plant, equipment and intangible assets.

During the year ended December 31, 2019, cash used for investing activities was $160.7 million, compared to $228.6 million used for investing activities during the year ended December 31, 2018. Current period investing activities largely relate to $157.4 million for the purchase of property, plant and equipment, offset by $4.5 million in proceeds from the disposal of property, plant and equipment. Prior year investing activities 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, and $81.5 million for the purchase of property, plant, equipment and intangible assets, offset by $36.3 million in proceeds for the disposal of property, plant and equipment.

Financing activities

Cash used in financing activities during the three months ended December 31, 2019, was $40.9 million, which included net long-term debt of $30.6 million to fund working capital needs offset by $8.5 million in finance lease obligation repayments and $1.0 million to settle equity compensation liabilities and the purchase of treasury shares. Cash provided in financing activities for the three months ended December 31, 2018 was $156.1 million, driven by $165.6 million in net long-term debt and $8.1 million in finance lease obligation repayments.

For the year ended December 31, 2019, cash used in financing activities was $11.2 million, which included $40.9 million of net proceeds of long-term debt, $38.2 million in finance lease obligation repayments, $10.4 million of treasury share purchases and $2.7 million in financing costs. Cash provided by financing activities during the year ended December 31, 2018 was $130.6 million, driven by proceeds of $179.2 million in net long-term debt, offset by $32.1 million repayments towards finance lease obligations, $9.5 million for the purchase and subsequent cancellation of common shares, $5.1 million of treasury share purchases and $0.8 million in financing costs.

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)	2019	2018
Cash provided by operating activities	$ 157,944	$ 109,371
Cash used in investing activities	(160,678)	(228,614)
Capital additions financed by leases	(28,107)	(20,145)
Add back:		
Growth capital additions (cash)	45,803	39,666
Growth capital additions (financed by leases)	—	6,612
Acquisition of heavy construction fleet and related assets	—	151,180
Investment in affiliates and joint ventures, net of cash acquired	—	31,911
Cash reclassification to investments in affiliates and joint ventures from change in presentation of NL Partnership	10,630	—
Subtract:		
Proceeds from equipment sale and leasebacks	—	(29,295)
Free cash flow[(i)]	**$ 25,592**	**$ 60,686**

[(i)] See "Non-GAAP Financial Measures".

Free cash flow for the year ended December 31, 2019 was $25.6 million and can be calculated as adjusted EBITDA of $174.2 million, less sustaining capital additions of $124.8 million and cash interest paid of $20.0 million and adjusted for changes in working capital and capital inventory balances. Taking these drivers in account, the business generated $25.6 million of cash in the year.

The 2019 capital investment of $124.8 million reflects the increased run-rate of our heavy equipment fleet of approximately 600 assets, but importantly was impacted by deferred maintenance catch-up on the acquired fleet of approximately $20.0 million.

When comparing to the prior year cash generation of $60.7 million, the negative variance of $35.1 million can be primarily attributed to three factors which more than offset the $72.4 million over year increase in adjusted EBITDA: i) increased capital additions of $77.8 million reflected a full year run-rate of the acquired fleet but was impacted by the $20 million capital expenditure mentioned above, ii) cash interest paid in 2019 was $10.8 million higher than 2018, and iii) net working capital changes and an increase in capital inventory in 2019 had a net year-over-year impact on cash flow of approximately $16.0 million.

Contractual Obligations and Other Commitments

Our principal contractual obligations relate to our long-term debt; finance and operating leases; capital for property, plant and equipment; and supplier contracts. The following table summarizes our future contractual obligations as of December 31, 2019, excluding interest where interest is not defined in the contract (operating leases and supplier contracts).

			Payments due by fiscal year				
(dollars in thousands)	**Total**	2020	2021	2022	2023	2024 and thereafter
Company Credit Facility[i][vi]	$ 206,541	$ 8,736	$ 197,805	$ —	$ —	$ —
Finance leases	81,242	31,657	23,151	16,522	8,064	1,848
Convertible debentures[ii][vi]	121,567	4,897	4,897	4,897	4,897	101,979
Mortgage[iii]	35,900	1,583	1,577	1,573	1,569	29,598
Promissory notes	14,768	14,768	—	—	—	—
Operating leases[iv]	17,375	1,661	1,626	1,534	1,200	11,354
Non-lease components of lease commitments[v]	1,780	380	406	424	371	199
Financing obligations	16,601	3,793	3,793	3,793	3,793	1,429
Supplier contracts	25,265	25,265	—	—	—	—
Total contractual obligations	**$ 521,039**	**$ 92,740**	**$ 233,255**	**$ 28,743**	**$ 19,894**	**$ 146,407**

[i] The Company 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 Company Credit Facility), plus applicable margins payable monthly.

[ii] The 5.50% convertible debentures 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. The 5.00% convertible debentures mature on March 31, 2026. Interest is payable in equal installments semi-annually in arrears on March 31 and September 30 of each year.

[iii] This includes a mortgage that bears interest for the first five years at a fixed rate of 4.80% and is secured by a first security interest in our maintenance facility and head office complex in Acheson, Alberta and a mortgage that bears variable interest at a floating base rate minus a variance of 1.50%, equal to 4.55% at December 31, 2019 and is secured by a first security interest on land in Acheson, Alberta.

[iv] Operating leases are net of receivables on subleases of $9,253 (2020 - $3,052; 2021 - $3,052; 2022 - $2,150; 2023 - $999).

[v] Non-lease components of lease commitments are net of receivables on subleases of $5,215 (2020 - $1,501; 2021 - $1,521; 2022 - $1,460; 2023 - $733). These commitments include common area maintenance, management fees, property taxes and parking related to operating leases.

[vi] The future interest payments were calculated using the applicable interest rates and balances as at December 31, 2019 and may differ from actual results.

Our total contractual obligations of $521.0 million as at December 31, 2019 have increased from $420.6 million as at December 31, 2018 primarily related to $17.5 million in financing obligations related to sale and leaseback transactions where control of the assets did not transfer, the issuance of new 5.00% convertible debentures for $55.0 million, offset by a reduction in borrowings on our Company Credit Facility and scheduled payments on our finance and operating leases. For a discussion on the Company Credit Facility see "Credit Facilities" below and for a more detailed discussion of our convertible debentures, see "Capital Structure and Securities" in our most recent AIF, which section is expressly incorporated by reference into this MD&A.

We currently do not have any off-balance sheet arrangements.

Credit Facilities

The Company Credit Facility is comprised solely of a revolving loan which allows 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, and permits finance lease debt to a limit of $150.0 million. This facility matures on November 23, 2021, with an option to extend on an annual basis.

The Company 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 Bank Senior Debt compared to Bank EBITDA less NACG Acheson Ltd. rental revenue.
    - "Bank Senior Debt" is defined as the Company's long-term debt, finance leases and outstanding letters of credit, excluding Convertible Debentures, deferred financing costs, mortgages related to NACG Acheson Ltd. and debt related to investment in affiliates and joint ventures.

- "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, and certain other non-cash items included in the calculation of net income.

The Company Credit Facility has financial covenants that must be tested quarterly on a trailing four-quarter basis. It must be less than or equal to 3.0:1 at Q4 2019 and thereafter. In the event we enter into a material acquisition, the maximum allowable Senior Leverage Ratio would include a step up of 0.50x for four quarters following the acquisition.

- 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 and unfunded capital expenditures.
- The Fixed Charge Coverage Ratio is to be maintained at a ratio greater than 1.15:1.

As at December 31, 2019, we were in compliance with our financial covenants. The Senior Leverage Ratio was 1.72:1, in compliance with the maximum 3.0:1. The Fixed Charge Coverage Ratio was 1.24:1, in compliance with the minimum of 1.15:1.

Borrowing activity under the Company Credit Facility

As at December 31, 2019, there was $190.0 million borrowed against the Company Credit Facility along with $0.9 million in issued letters of credit under the Company Credit Facility (December 31, 2018 - $192.0 million and $0.9 million, respectively) and the unused borrowing availability was $109.1 million (December 31, 2018 - $107.1 million).

Outstanding Share Data

Common Shares

We are authorized to issue an unlimited number of voting common shares and an unlimited number of non-voting common shares. On June 12, 2014, we entered into a trust agreement whereby the trustee may purchase and hold voting 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 14, 2020, there were 27,549,778 voting common shares outstanding, which included 1,669,546 common shares held by the trust and classified as treasury shares on our consolidated balance sheets (27,502,912 common shares, including 1,725,467 common shares classified as treasury shares at December 31, 2019). We had no non-voting common shares outstanding on any of the foregoing dates.

Options

As at December 31, 2019, there were an aggregate of 238,600 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 238,600 voting common shares.

Convertible Debentures

On March 20, 2019, we issued $55.0 million in aggregate principal amount of 5.00% convertible unsecured subordinated debentures, which mature on March 31, 2026, of which $55.0 million remain outstanding as at February 14, 2020. 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, of which $38.6 million remain outstanding as at February 14, 2020. The 5.50% convertible debentures are not redeemable prior to March 31, 2020 and the 5.00% convertible debentures are not redeemable. The convertible debentures are redeemable under certain conditions after a change in control has occurred. On or after March 31, 2020, the 5.50% convertible debentures are redeemable at the option of the Company, in whole or in part at a redemption price equal to the principal amount provided the market price of the common shares is at least 125% of the conversions price (or $13.56); and on or

after March 31, 2022 at a redemption price equal to the principal amount, plus accrued and unpaid interest to the redemption date. The 5.00% debentures and 5.50% debentures are collectively referred to as the "convertible debentures". Interest on the convertible debentures is payable semi-annually on March 31 and September 30 of each year.

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.

The terms of the convertible debentures are summarized as follows:

	Date of issuance	Maturity	Conversion price	Share equivalence per $1000 debenture	Debt issuance costs
5.50% convertible debentures	March 15, 2017	March 31, 2024	$ 10.85	$ 92.1659	$ 2,133
5.00% convertible debentures	March 20, 2019	March 31, 2026	$ 26.25	$ 38.0952	$ 2,691

Backlog

The following summarizes our non-GAAP reconciliation of anticipated backlog as at December 31, 2019 and the preceding three quarters, as well as revenue generated from backlog for each quarter:

(dollars in thousands)	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
Unsatisfied performance obligations per financial statements	$ 75,378	$ 29,830	$ 112,922	$ 84,508
Add: undefined committed volumes	1,012,646	1,278,812	1,334,164	1,381,008
Anticipated backlog	**$ 1,088,024**	**$ 1,308,642**	**$ 1,447,086**	**$ 1,465,516**
Revenue generated from backlog during the three month period	$ 135,551	$ 87,513	$ 108,532	$ 132,153

As at December 31, 2019, we expect that $329.0 million of our anticipated backlog reported above will be performed over the balance of 2020.

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.

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, 2019, we recognized revenue from variable consideration related to unpriced contract modifications of $4.9 million (December 31, 2018 - $0.3 million).

As at December 31, 2019, we had $5.3 million of unresolved unpriced contract modifications on our balance sheet. This compares to $7.5 million of unresolved unpriced contract modifications recorded as at December 31, 2018. 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.

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) and increasing the borrowing flexibility and capacity of the Company Credit Facility. Building on these prior year successes, we took the following actions in 2019:

- To fund future growth opportunities, on March 20, 2019, we issued $55.0 million in aggregate principal amount of 5.00% convertible unsecured subordinated debentures.
- On August 7, 2019, we changed our dividend policy to increase our regular dividend from $0.08 per common share per year to $0.16 per common share per year.
- 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 $28.1 million of new and used equipment through finance leases (including equipment financed through sale and leasebacks account).
- 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. 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.

We continue to take advantage of the Company Credit Facility to deal with working capital demands to build on our flexibility to be more competitive with our pricing of proposed bids and contracts. Our total debt is $412.1 million at December 31, 2019, compared to $384.3 million at December 31, 2018. Annual free cash flow of $25.6 million was used to partially fund growth capital spending of $45.8 million.

For a complete discussion on these activities see "Outstanding Share Data" in this MD&A.

Related Parties

A director was also the President and Chief Executive Officer of a business that subleases space from us. The sublease was entered into several years before the director's appointment. During the year ended December 31, 2019, we recorded $235, of sublease proceeds (December 31, 2018 - $315). As of December 31, 2019, the director is no longer an officer of the business that subleases space from us.

Nuna

We entered into related party transactions through a number of affiliates and joint ventures that involve providing or receiving services in the normal course of business.

In June of 2019, the Company purchased heavy equipment from the NL Partnership for $1,300 settled in cash.

The following table provides the total dollar amount for income statement transactions that have been entered into with Nuna and its affiliates during the year ended:

	December 31, 2019	December 31, 2018
Revenue	$ 597	$ 677
Management fee revenue	2,482	345

Our revenue generated from joint ventures and affiliates are related to heavy construction and mining services. We receive management fee revenue from its investment in joint ventures and affiliates pursuant management agreements in place for certain services provided. 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:

	December 31, 2019	December 31, 2018
Accounts receivable	$ 1,202	$ 3,074
Accounts payable and accrued liabilities	251	13

Accounts receivable 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.

OUTLOOK

We believe that we have the contracted work to provide sufficient free cash flow to both de-lever our balance sheet and pursue opportunities to continue our top tier growth profile. As mentioned previously, we maintain our expectation of reducing total debt by $150 million from 2019 to 2021. Our confidence in this positive outlook is underpinned by the fact that the majority of the revenue will be derived from foundational work linked to oil sands production. We will continue to capitalize on incremental organic growth and will be focusing on geographical and customer diversification as opportunities arise.

As illustrated in the investor presentation that accompanies this annual report, we expect adjusted EBITDA and adjusted earnings for 2020 to be in the ranges $190 to $215 million, $1.90 to $2.30 per share respectively.

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. We intend to limit our 2020 sustaining capital expenditures to approximately $95 million to $115 million, net of normal equipment disposals, primarily related to essential capital maintenance and equipment replacement requirements. At this time, we believe our 2020 growth capital spending could range from $30 million to $40 million to capitalize on near-term opportunities in the Canadian oil sands.

ACCOUNTING ESTIMATES, PRONOUNCEMENTS AND MEASURES

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:

- 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 we are a primary beneficiary of an entity or has a controlling interest in an investee and is required to consolidate;
- 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.

Actual results could differ materially from those estimates.

The accuracy of our revenue and profit recognition in a given period is dependent on the accuracy of the estimates of the cost to complete each project. Cost estimates for all significant projects use a detailed “bottom up” approach and we believe our experience allows us 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 our profitability. Major changes in cost estimates, particularly in larger, more complex projects, can have a significant effect on profitability.

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, 2019 and notes that follow, which sections are expressly incorporated by reference into this MD&A.

Adoption of New US GAAP Lease Standard

Effective January 1, 2019, we adopted the new US GAAP standard for leases, "Accounting Standard Codification ("ASC") 842 - Leases" ("Topic 842"), which replaces the previous standard, "ASC 840 - Leases" ("Topic 840"). The new standard provides a right-of-use "ROU" model which requires most leases to be recognized on the balance sheets. We updated our lease recognition process to align with the new standard which resulted in the recognition of ROU assets and liabilities related to operating leases on our consolidated balance sheets.

We adopted the standard using the “Modified Retrospective” method where the cumulative effect adjustment is recognized to the opening balance of equity at January 1, 2019, therefore, the comparative information has not been adjusted and continues to report under Topic 840. We elected not to reassess whether expired or existing contracts contain leases under the new definition of a lease, not to reassess lease classification for expired or existing leases and not to reassess whether previously capitalized initial direct costs would qualify for capitalization under Topic 842. In addition, we elected to use hindsight when considering the likelihood that lessee options to extend or terminate a lease or purchase the underlying assets will be exercised.

The adoption of this new standard had an impact on our consolidated balance sheets and resulted in the recognition of operating lease right-of-use assets of $16.0 million, current portion of operating lease liabilities of $3.4 million and operating lease liabilities of $14.0 million on January 1, 2019. ROU assets are net of $1.4 million related to deferred lease inducements which were previously included in other long-term obligations. However, there was no adjustment to opening equity at January 1, 2019.

Notable terminology and accounting changes as a result of the implementation of Topic 842 include:

- Operating right-of-use assets - Included on the consolidated balance sheets are operating right-of-use assets, which represents our right to use the underlying asset over the lease term on leases classified as operating leases.
- Operating lease liabilities - Included on the consolidated balance sheets are the current portion of operating lease liabilities and operating lease liabilities, which represent the lease liabilities over the lease term on leases classified as operating leases.
- Finance leases - Included on the consolidated balance sheets are the current portion of finance leases and finance leases, which were previously referred to as "current portion of capital leases" and "capital leases", respectively.
- Financing obligations - Included in “Note 12 - Long-term debt” of the notes to consolidated financial statements are financing obligations which represent sale and leaseback transactions in which control of the asset never transferred, therefore the obligation is accounted for as a financing transaction rather than a finance lease.

The adoption of Topic 842 includes the requirement for additional disclosures in our consolidated financial statements. The Financial Accounting Standards Board ("FASB") objectives of issuing this new standard are to provide financial statement users with sufficient information to understand the nature, timing and uncertainty of cash flows arising from leases. As prescribed by Topic 842, we have added "Note 10 - Leases" to our consolidated financial statements to meet the FASB objectives. This note contains the following sections:

- Lease expenses and income - information about the expenditures and income related to leases during the period.
- Supplemental balance sheet information - information about the weighted-average term of leases, weighted-average interest rate of leases and the carrying amount of the finance lease right-of-assets represented by the "Net book value of property, plant, and equipment under finance lease."
- Maturity analysis - information about the future expected cash flows arising from leases.

Issued Accounting Pronouncements Not Yet Adopted

- 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 impact 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 impact 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 impact that the adoption of this standard will have on our consolidated financial statements.

- Financial instruments - credit losses
    - In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments. This standard is effective January 1, 2020 with early adoptions permitted. We are is assessing the impact the adoption of this standard will have on its 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, 2019 and notes that follow, which sections are expressly incorporated by reference into this MD&A.

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", "adjusted net earnings", "adjusted EBIT", "equity investment EBIT", "adjusted EBITDA", "equity investment depreciation and amortization", "adjusted EPS", "margin", "total debt", "net debt", "senior debt", "cash provided by operating activities prior to change in working capital", "free cash flow", "backlog", "growth capital", "sustaining capital", "capital expenditures, net", "capital additions" and "capital inventory". 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" 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. 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.

"Adjusted net earnings" is defined as net income and comprehensive income available to shareholders excluding the effects of unrealized foreign exchange gain or loss, realized and unrealized gain or loss on derivative financial instruments, cash and non-cash (liability and equity classified) stock-based compensation expense, gain or loss on disposal of property, plant and equipment and certain other non-cash items included in the calculation of net income.

"Adjusted EBIT" is defined as adjusted net earnings before the effects of interest expense, income taxes and equity earnings in affiliates and joint ventures, but including the equity investment EBIT from our affiliates and joint ventures accounted for using the equity method.

“Equity investment EBIT” is defined as our proportionate share (based on ownership interest) of equity earnings in affiliates and joint ventures before the effects of gain or loss on disposal of property, plant and equipment, interest expense and income taxes.

“Adjusted EBITDA” is defined as adjusted EBIT before the effects of depreciation, amortization and equity investment depreciation and amortization.

“Equity investment depreciation and amortization” is defined as our proportionate share (based on ownership interest) of depreciation and amortization from our affiliates and joint ventures accounted for using the equity method.

We believe that adjusted EBIT and adjusted EBITDA are meaningful measures of business performance because they exclude items that are not directly related to the operating performance of our business. Management reviews these measures to determine whether property, plant and equipment are being allocated efficiently.

"Adjusted EPS" is defined as adjusted net earnings, divided by the weighted-average number of common shares.

As adjusted EBIT, adjusted EBITDA, adjusted net earnings and adjusted EPS are non-GAAP financial measures, our computations may vary from others in our industry. These measures 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 adjusted 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.

"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 margin", or "adjusted EBITDA 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.

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" is defined as the sum of the outstanding principal balance (current and long-term portions) of: (i) finance leases; (ii) borrowings under our credit facilities (excluding outstanding Letters of Credit); and (iii) convertible unsecured subordinated debentures, (iv) mortgage, (v) promissory notes, and (vi) financing obligations. 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 sheets. Net debt is used by us in assessing our debt repayment requirements after using available cash.

"Senior debt" is defined as total debt, excluding convertible debentures, deferred financing costs, mortgages related to NACG Acheson Ltd. and debt related to investment in affiliates and joint ventures.

"Cash provided by operating activities prior to change in working capital" is defined as cash used in or provided by operating activities excluding net changes in non-cash working capital.

"Free cash flow" is defined as cash from operations less cash used in investing activities (including finance lease additions but excluding cash used for growth capital expenditures, cash used for / provided by acquisitions and proceeds from equipment sale and leaseback). We believe that 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 potential strategic initiatives.

"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 and definition to the "transaction price allocated to the remaining performance obligations", defined under US GAAP and reported in "Note 16 - Revenue" in our financial statements. When the two numbers differ, the variance relates to expected scope where there is no defined volume.

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 will provide a reconciliation between the US GAAP and non-GAAP values.

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. However, 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.

“Growth capital” is defined as new or used revenue-generating and customer facing assets which are not intended to replace an existing asset. These expenditures result in a meaningful increase to earnings and cash flow potential.

“Sustaining capital” is defined as expenditures, net of routine disposals, related to property, plant and equipment operated to maintain and support existing earnings and cash flow potential and do not include the characteristics of growth capital.

"Capital expenditures, net" is defined as growth capital and sustaining capital.

"Capital additions" is defined as capital expenditures, net and lease additions.

"Capital inventory" is defined as rotatable parts included in property, plant and equipment held for use in the overhaul of property, plant and equipment.

We believe net capital expenditures and capital additions are a meaningful measure to assess resource allocation.

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, 2019 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 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, 2019, 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, 2019, 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, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by 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, 2019.

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 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. 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. Readers are cautioned that actual events and results may vary from the 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”, “could”, “estimate”, “expect”, “possible”, "predict", “will” 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 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 the Company Credit Facility.
- Our expectation that $329.0 million of our anticipated backlog will be performed over the balance of 2020.
- Our belief that we have the contracted work to provide sufficient free cash flow to both de-lever our balance sheet and pursue opportunities to continue our top tier growth profile.
- Our expectation that we will reduce total debt by $150 million from 2019 to 2021.
- Our expectation that over 75% of the revenue will be derived from work linked to oil sands production.
- Our expectation that Adjusted EBITDA and adjusted earnings for 2020 will be in the ranges $190 to $215 million and $1.90 to $2.30 per share respectively.
- Our belief that our 2020 growth capital spending could range from $30 million to $40 million to capitalize on opportunities in the Canadian oil sands.

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" and "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, 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:

- oil prices remaining stable and not dropping significantly in 2020;
- the Canadian dollar not significantly appreciating in 2020;
- oil sands production continuing 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;
- our ability to maintain our expenses at current levels in proportion to our revenue;
- work continuing to be required under our master services agreements with various customers and such master services agreements remaining 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 continued ability to access sufficient funds to meet our funding requirements;
- 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 continuing 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 following are the key risk factors that affect us and our business. These factors could materially and adversely affect our operating results and could cause actual results to differ materially from those described in forward-looking statements.

- ***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 endeavors 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.
- ***Cashflow, Liquidity and Debt.*** As of December 31, 2019 we had $412.1 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.
- ***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.
- ***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.
- ***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.
- ***Equipment Utilization.*** Our business depends on our fleet being operable and in ready-to-work condition. We often operate in conditions that inflict a high degree of wear on our equipment. If we are unable to maintain our fleet so as to obtain our planned utilization rates, or if we are required to expend higher than expected amounts on maintenance or to rent replacement equipment at high rates due to equipment breakdowns, our operating

revenues and profits will be adversely impacted. We endeavor to mitigate these risks through our maintenance planning and asset management processes and procedures, though there is no assurance that we can anticipate our future equipment utilization rates with certainty.

- ***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 four largest customers represented approximately 95% and 89% of our total revenue for the years ended December 31, 2019 and 2018, 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.
- ***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.
- ***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.
- ***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.
- ***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.
- ***Health and 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.

- ***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 52%, 62% and 65% of our revenue for the years ended December 31, 2019, 2018 and 2017, 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.

- ***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.

- ***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 market conditions have impaired the valuation of our heavy equipment fleet, we also may be required to record an impairment charge against net income.

- ***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 finance lease.
- ***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.
- ***Cyber Security and Information Technology Systems.*** We utilize information technology systems for some of the management and operation of our business and are subject to information technology and system risks, including hardware failure, cyber-attack, security breach and destruction or interruption of our information technology systems by external or internal sources. Although we have policies, controls and processes in place that are designed to mitigate these risks, an intentional or unintentional breach of our 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 our 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. We attempt to prevent breaches through the implementation of various technology-based security measures, contracting consultants and expert third-parties, hiring qualified employees to manage our systems, conducting periodic audits and reviewing and updating policies, controls and procedures when appropriate. To date, we have not been subject to a cyber security breach that has resulted in a material impact on its business or operations; however, there is a possibility that the measures we take to protect our information technology systems may not be effective in protecting against a specific breach in the future.
- ***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 we will be successful in identifying, recruiting or retaining such personnel.
- ***Impact of Extreme Weather Conditions and Natural Disasters.*** Extreme weather conditions or natural disasters, such as fires, floods and similar events, may cause delays in the progress of our work, which to the extent that such risk is not mitigated through contractual terms, may result in loss of revenues while certain costs continue to be incurred. Such delays may also lead to incurring additional non-compensable costs, including overtime work, that are necessary to meet customer schedules. Delays in the commencement of a project due to extreme weather or natural disaster may also result in customers choosing to defer or even cancel planned projects entirely. Such events may also impact the availability and cost of equipment, parts, labour or other inputs to our business that could have a material adverse effect on our financial position.
- ***Climate Change Laws and Regulations.*** Climate change continues to attract considerable public and regulatory attention, with greenhouse gas emission regulations becoming more commonplace and stringent. Government action intended to address climate change may involve both economic instruments such as carbon taxation as well as restrictions on certain sectors such as cap-and-trade schemes. Certain jurisdictions in which we operate impose carbon taxes on significant emitters and there is a possibility of similar taxation in other jurisdictions in the future. Our cost of business may rise and we may be required to purchase new equipment to

reduce emissions in order to comply with new regulatory standards or to mitigate the financial impact of carbon taxation. Other government restrictions on certain market sectors, such as oil sands, could also adversely impact current or potential clients resulting in a reduction of available work.

ADDITIONAL INFORMATION

Corporate head office is located at 27287 - 100 Avenue, Acheson, Alberta, T7X 6H8.

Telephone and facsimile are 780-960-7171 and 780-969-5599, respectively.

Exhibit 99.5

KPMG LLP
2200, 10175 - 101 Street
Edmonton AB T5J 0H3
Telephone (780) 429-7300
Fax (780) 429-7379
www.kpmg.ca

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 19, 2020, 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 19, 2020

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 99.6

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, 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, 2019 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 19, 2020

/s/ Martin Ferron

Name: Martin Ferron

Title: Chief Executive Officer

Exhibit 99.7

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, 2019 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 19, 2020

/s/ Jason Veenstra

Name: Jason Veenstra

Title: Chief Financial 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, 2019 (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 19, 2020

/s/ Martin Ferron

Name: Martin Ferron

Title: Chief Executive Officer

Exhibit 99.9

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, 2019 (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 19, 2020

/s/ Jason Veenstra

Name: Jason Veenstra

Title: Chief Financial Officer