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

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

For the fiscal year ended December 31, 2020 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:

☒ Annual information form ☒ 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.

31,011,831 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 ☒ 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 ☒ 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.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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, 2020 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, 2020, 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, 2020 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, 2020, 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, 2020, 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, 2020, 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 and Chief Financial Officer. The Code of Conduct and Ethics Policy is available for viewing on the Registrant’s website at www.nacg.ca under "Social Responsibility-Code of Conduct & Ethics”. There were not any amendments to any provision of the Code of Conduct and Ethics Policy during the fiscal year ended December 31, 2020 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, 2020 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, 2020, 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 “Contractual Obligations and Other Commitments” included in the Registrant’s Management’s Discussion and Analysis for the fiscal year ended December 31, 2020, 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, 2020, 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, 2020, which is attached as Exhibit 99.2 to this Annual Report on Form 40-F and is incorporated herein by reference.

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.

NORTH AMERICAN CONSTRUCTION GROUP LTD.

By: /S/ Joseph Lambert
Joseph Lambert
Chief Executive Officer

Date: February 17, 2021

DOCUMENTS AND EXHIBIT INDEX

99.1	North American Construction Group Ltd. Announces Results for the Year Ended December 31, 2020.
99.2	Annual Information Form for the fiscal year ended December 31, 20 20.
99.3	Audited Annual Consolidated Financial Statements for the fiscal year ended December 31, 2020.
99.4	Management's Discussion and Analysis for the fiscal year ended December 31, 2020.
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 99.3

NORTH AMERICAN CONSTRUCTION GROUP LTD.

Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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. and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2020, based on 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, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, 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 17, 2021 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.

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

Definition and Limitations of Internal Control Over Financial Reporting

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

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

KPMG LLP

Chartered Professional Accountants

Edmonton, Canada

February 17, 2021

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

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 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. and subsidiaries (the "Company") as of December 31, 2020 and 2019, 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, 2020 and 2019, 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, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 17, 2021 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

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

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

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

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which they relate.

a) Estimation of total costs to be incurred for unit-price long-term contract revenue

As discussed in note 2(c) to the consolidated financial statements, the Company recognizes revenues under four principal types of contracts: lump-sum, unit-price, time-and-materials, and cost-plus. For the year ended December 31, 2020, total contract revenues recognized by the Company were $500.4 million, including $41.9 million recognized under unit-price contracts with defined scope that were in-progress at year-end. Under its unit-price contracts with defined scope, the Company recognizes revenue over time based on the ratio of actual costs incurred to date divided by the Company's estimated total costs (ETC).

We identified the evaluation of ETC for in-progress unit-price contracts with defined scope as a critical audit matter. The evaluation of the ETC for in-progress unit-price contracts with defined scope involved complex auditor judgement, given these estimates are dependent upon a number of factors, including the accuracy of the estimates made at the period-end date, primarily consisting of labor hours, equipment usage, and material costs and quantities to be incurred over the remaining contract periods.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls within the Company's revenue recognition process. This included controls related to the review of the ETC for unit-price contracts with defined scope that were in-progress at year-end. For a selection of these contracts, we evaluated the reasonableness of the Company's determination of ETC for the contract, including tracing a selection of costs in the ETC (material costs and quantities, labor hours, and equipment usage) to recent forecasts developed by project managers and comparing actual costs incurred subsequent to year-end for consistency with corresponding amounts included in the ETC at year-end. We inspected the executed contract with the customer to evaluate the Company's identification of performance obligations and the determined method for measuring contract progress. We conducted interviews with relevant project personnel to gain an understanding of the status of project activities and factors impacting the ETC of the selected contract, such as costs associated with scope changes; changes in productivity expectations; extended overhead due to owner, weather, and other delays; differences in site conditions from the original bid; the availability and skill level of workers in the geographic location of the project; and changes in the availability and proximity of equipment and materials. We evaluated the Company's ability to estimate these amounts by comparing actual project margins to previous estimates.

b) Evaluation of the determination of the recoverable amount of long-lived assets

As discussed in note 2(n) to the consolidated financial statements, the Company reviews its long-lived assets or asset groups for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets are comprised primarily of property, plant and equipment and right-of-use assets. The Company's long-lived assets are assessed for impairment as a single asset group. As at March 31, 2020, the Company identified an indicator that the carrying value of the asset group may not be recoverable. The Company performed a recoverability test by comparing the forecasted

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

undiscounted cash flows of the asset group (the recoverable amount) to its carrying amount. The carrying amount of the Company's long-lived assets was $638.1 million as at March 31, 2020 and $651.9 million as at December 31, 2020.

We identified the evaluation of the determination of the recoverable amount of long-lived assets as a critical audit matter. The evaluation of the Company's assumptions used to estimate the recoverable amount of the asset group involved complex auditor judgment, primarily related to the evaluation of the assumptions used to determine forecasted revenue growth and gross margin percentage used to estimate the recoverable amount as they are subject to a high degree of subjectivity.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's determination of the recoverable amount of long-lived assets. This included controls related to the determination of the significant assumptions of forecasted revenue growth and gross margin percentage used to determine the recoverable amount of long-lived assets. We evaluated the forecasted revenue growth and gross margin percentage used to determine the recoverable amount of long-lived assets by comparing the assumptions to historical results, secured revenues from executed contracts, and forecasted financial results. We compared the 2020 forecasted revenues and gross margin contained in the recoverability test to actual results to assess the Company's ability to accurately forecast.

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

KPMG LLP

Chartered Professional Accountants

Edmonton, Canada

February 17, 2021

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

Consolidated Balance Sheets

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

	Note	2020	2019
Assets			
Current assets			
Cash		**$ 43,915**	$ 5,544
Accounts receivable	*5*	**36,373**	66,746
Contract assets	*6(b)*	**7,034**	19,193
Inventories	*2(k)*	**19,174**	21,649
Prepaid expenses and deposits		**4,999**	4,245
Assets held for sale		**4,129**	424
Derivative financial instruments	*7(b)*	**4,334**	—
		119,958	117,801
Property, plant and equipment, net of accumulated depreciation $302,682 (2019 – $276,185)	*8*	**633,704**	587,729
Operating lease right-of-use assets	*9*	**18,192**	21,841
Investments in affiliates and joint ventures	*10*	**44,050**	42,908
Other assets		**6,617**	6,718
Deferred tax assets	*11*	**16,407**	15,655
Total assets		**$ 838,928**	$ 792,652
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable		**$ 41,369**	$ 88,201
Accrued liabilities	*12*	**19,111**	17,560
Contract liabilities	*6(b)*	**1,512**	23
Current portion of long-term debt	*7*	**16,307**	18,514
Current portion of finance lease obligations	*9*	**26,895**	29,206
Current portion of operating lease liabilities	*9*	**4,004**	3,799
		109,198	157,303
Long-term debt	*7*	**341,547**	313,443
Finance lease obligations	*9*	**42,577**	47,072
Operating lease liabilities	*9*	**14,118**	17,710
Other long-term obligations	*13*	**18,850**	24,504
Deferred tax liabilities	*11*	**64,195**	52,501
		590,485	612,533
Shareholders' equity			
Common shares (authorized – unlimited number of voting common shares; issued and outstanding – December 31, 2020 - 31,011,831 (December 31, 2019 – 27,502,912))	*15(a)*	**255,064**	225,966
Treasury shares (December 31, 2020 - 1,845,201 (December 31, 2019 - 1,725,467))	*15(a)*	**(18,002)**	(15,911)
Additional paid-in capital		**46,536**	49,919
Deficit		**(35,155)**	(79,855)
Shareholders' equity		**248,443**	180,119
Total liabilities and shareholders' equity		**$ 838,928**	$ 792,652
Contingencies	*20*		
Subsequent event	*15(b)*		

Approved on behalf of the Board

/s/ Martin R. Ferron
Martin R. Ferron, Executive Chairman

/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	**2020**	2019
Revenue	*6*	**$ 500,374**	$ 719,067
Project costs	*14(b)*	**139,452**	277,646
Equipment costs	*2(k),14(b)*	**177,532**	243,427
Depreciation		**89,008**	101,582
Gross profit		**94,382**	96,412
General and administrative expenses	*14(b),17*	**24,102**	36,898
Loss (gain) on disposal of property, plant and equipment		**757**	(31)
Amortization of intangible assets		**578**	711
Operating income		**68,945**	58,834
Interest expense, net	*16*	**18,681**	21,623
Equity earnings in affiliates and joint ventures	*10*	**(5,942)**	(2,780)
Net realized and unrealized gain on derivative financial instruments	*7(b)*	**(4,266)**	—
Income before income taxes		**60,472**	39,991
Current income tax expense	*11*	**—**	13
Deferred income tax expense	*11*	**11,264**	2,845
Net income and comprehensive income		**49,208**	37,133
Net income attributable to noncontrolling interest	*10*	**—**	(255)
Net income and comprehensive income available to shareholders		**$ 49,208**	$ 36,878
Per share information			
Basic net income per share	*15(b)*	**$ 1.75**	$ 1.45
Diluted net income per share	*15(b)*	**$ 1.60**	$ 1.23

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in thousands of Canadian Dollars)

	Common equity						
	Common shares	Treasury shares	Additional paid-in capital	Deficit	Total	Noncontrolling interest	Total
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
Dividends ($0.12 per share)	—	—	—	(3,066)	(3,066)	—	(3,066)
Exercise of stock options	3,248	—	(1,295)	—	1,953	—	1,953
Conversion of convertible debentures	945	—	—	—	945	—	945
Purchase of treasury shares	—	(10,387)	—	—	(10,387)	—	(10,387)
Stock-based compensation	—	6,178	(2,353)	—	3,825	—	3,825
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
Net income and comprehensive income available to shareholders	**—**	**—**	**—**	**49,208**	**49,208**	**—**	**49,208**
Dividends ($0.16 per share)	**—**	**—**	**—**	**(4,508)**	**(4,508)**	**—**	**(4,508)**
Exercise of stock options	**895**	**—**	**(358)**	**—**	**537**	**—**	**537**
Conversion of convertible debentures	**38,066**	**—**	**—**	**—**	**38,066**	**—**	**38,066**
Share purchase programs	**(9,863)**	**—**	**755**	**—**	**(9,108)**	**—**	**(9,108)**
Purchase of treasury shares	**—**	**(9,893)**	**—**	**—**	**(9,893)**	**—**	**(9,893)**
Stock-based compensation	**—**	**7,802**	**(3,780)**	**—**	**4,022**	**—**	**4,022**
Balance at December 31, 2020	**$ 255,064**	**$ (18,002)**	**$ 46,536**	**$ (35,155)**	**$ 248,443**	**$ —**	**$ 248,443**

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	**2020**	2019
Cash provided by			
Operating activities:			
Net income and comprehensive income		**$ 49,208**	$ 37,133
Adjustments to reconcile net income to cash from operating activities:			
Depreciation		**89,008**	101,582
Amortization of intangible assets		**578**	711
Amortization of deferred financing costs	*16*	**1,091**	969
Loss (gain) on disposal of property, plant and equipment		**757**	(31)
Net realized and unrealized gain on derivative financial instruments		**(4,266)**	—
Stock-based compensation expense	*17*	**1,944**	9,443
Cash settlement of directors' deferred share unit plan	*17(c)*	**(103)**	(5,084)
Equity earnings in affiliates and joint ventures		**(5,942)**	(2,780)
Dividends and advances received from affiliates and joint ventures		**6,591**	4,382
Other adjustments to cash from operating activities		**(46)**	255
Deferred income tax expense		**11,264**	2,845
Net changes in non-cash working capital	*18(b)*	**(2,812)**	8,519
		147,272	157,944
Investing activities:			
Cash reclassification to investments in affiliates and joint ventures from change in presentation of NL Partnership	*10*	**—**	(10,630)
Purchase of property, plant and equipment		**(117,300)**	(157,026)
Additions to intangible assets		**(272)**	(422)
Proceeds on disposal of property, plant and equipment		**2,913**	4,462
Investment in affiliates and joint ventures		**(1,810)**	—
Net repayments of loans to affiliates and joint ventures		**2,896**	2,938
		(113,573)	(160,678)
Financing activities:			
Proceeds from long-term debt	*7*	**145,457**	227,750
Repayment of long-term debt	*7*	**(82,297)**	(186,881)
Financing costs		**(965)**	(2,689)
Repayment of finance lease obligations		**(34,688)**	(38,160)
Distribution paid to noncontrolling interest of affiliates		**—**	(280)
Dividend payments	*15(c)*	**(4,371)**	(2,536)
Proceeds from exercise of stock options		**537**	1,953
Share purchase program		**(9,108)**	—
Purchase of treasury shares	*15(a)*	**(9,893)**	(10,387)
		4,672	(11,230)
Increase (decrease) in cash		**38,371**	**(13,964)**
Cash, beginning of year		**5,544**	19,508
Cash, end of year		**$ 43,915**	**$ 5,544**

Supplemental cash flow information (note 18(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 but also in other parts of Canada and the United States, 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 non-controlling 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 credit losses, 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 costs 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.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. In addition, commodity prices declined significantly due to a dispute between major oil-producing countries combined with the impact of the COVID-19 pandemic. In recent months, certain oil-producing countries have attempted to manage supply, which has brought some recovery and stability to commodity prices, but the operating and economic environment remains uncertain. Governments worldwide, including in Canada, have enacted emergency measures to combat the spread of the virus, including the implementation of travel bans, quarantine periods and social distancing. These factors have created material disruptions to businesses globally, resulting in an economic slowdown. While governments and central banks have instituted significant monetary and fiscal interventions designed to stabilize economic conditions, the success of these measures is not yet determinable.

The majority of the Company's customers are concentrated in the resource and mining industries. These challenging operating environments may have significant adverse impacts on the Company, including, but not limited to:

- deferral or cessation of ongoing or planned projects with customers, which could result in material declines in revenue and cash flows;
- declines in revenue, operating margins, and cash flow, which could result in asset impairment charges, inability to comply with debt covenants, and a reduction in funds available for capital spending;
- the ability to raise additional debt or equity financing in the future at favorable terms; and
- restructuring charges as the Company aligns its structure and operating model to the environment.

As this situation continues to evolve, the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company is not known. Estimates and judgments made by management in the preparation of these financial statements are subject to a higher degree of measurement uncertainty during this period. Management continues to monitor the situation and has taken certain steps to mitigate the likelihood of occurrence of the events described above. The Company is managing both variable and fixed operating costs during this crisis and is taking part in the Canada Emergency Wage Subsidy. Sustaining capital maintenance costs are variable in nature, so the Company continues to implement a reduced capital plan.

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). These agreements clearly define whether commitment to volume or scope of services over the life of the contract is included or excluded. When excluded, work under the agreement is 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 extent of any constraints.

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 integrated services 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.

In certain instances, the Company's long-term contracts allow its customers to unilaterally reduce or eliminate scope of work without cause. These instances 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 credit losses 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. Contract costs are recorded within other assets on the Consolidated Balance Sheets.

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. Certain of the Company's long-term contracts can 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 6(d)). Remaining performance obligations are recorded within contract assets and contract liabilities on the Consolidated Balance Sheets.

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 credit losses

The Company records allowance for credit losses using the expected credit loss model upon the initial recognition of financial assets. The Company's financial assets include contract assets and accounts receivable. The estimate

of expected credit loss considers historical credit loss information that is adjusted for current economic and credit conditions. Bad debt expense is charged to project costs in the Consolidated Statements of Operations and Comprehensive Income in the period the allowance is recognized. The counterparties to the majority of the Company's financial assets are major oil producers with a long history of no credit losses.

k) Inventories

Inventories are carried at the lower of cost and net realizable value, and consist primarily of supplies, tires, 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. 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	2,500 - 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 are recorded within other assets on the Consolidated Balance Sheets.

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.

Estimated useful lives of definite lived intangible assets and corresponding amortization method are:

Assets	Basis	Rate
Internal-use software	Straight-line	4 years
Partnership relationship	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 the Consolidated Statements of Operations and Comprehensive Income. 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.

At each reporting period, the Company reviews the carrying value of its long-lived assets for indications of impairment. At March 31, 2020 impairment indicators were detected as a result of the uncertainty in the economic environment, relating to the suppression of commodity prices combined with the impact of the COVID-19 pandemic. The Company completed an impairment test comparing the net carrying value of its long-lived assets to the estimated undiscounted net cash flows to be generated from use of those assets and concluded that they are recoverable and, as such, no impairment was recorded. At December 31, 2020, there were no impairment indicators identified, as there had been no material declines in the operating environment or expected financial results as compared to March 31, 2020.

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 and included under general and administrative costs on the Consolidated Statements of Operations and Comprehensive Income.

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 17(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 17(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 a 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 17(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 17(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 estimated.

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 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 and comparative period financial information was not adjusted. The Company elected to adopt the package of practical expedients available upon transition, and therefore did not reassess: (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 noncurrent) to the corresponding finance lease obligations captions on the Consolidated Balance Sheets.

For lessee accounting, 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. For finance leases, 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. For operating leases, 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.

For lessor accounting, the Company entered into contracts to sublease certain operating property leases to third parties and generally accounts for lease and non-lease components of subleases separately. The Company also entered into agreements as a lessor for equipment leases.

If any of the following criteria are met, the Company classifies the lease as a sales-type lease:

- The lease transfers ownership of the underlying asset to the lessee by the end of the lease term;
- The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise;

- The lease term is for the major part of the remaining economic life of the underlying asset. However, if the commencement date falls at or near the end of the economic life of the underlying asset, this criterion shall not be used for purposes of classifying the lease;
- The present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments equals or exceeds substantially all of the fair value of the underlying asset.
- The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

When none of these criteria are met, the Company classifies the lease as an operating lease unless both of the following criteria are met, in which case the Company records the lease as a direct financing lease:

- The present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments and/or any other third party unrelated to the lessor equals or exceeds substantially all of the fair value of the underlying asset.
- It is probable that the lessor will collect the lease payments plus any amount necessary to satisfy a residual value guarantee.

For sales-type leases, the Company recognizes the net investment in the lease, and derecognizes the underlying asset on the Consolidated Balance Sheets. The interest income over the lease term is recognized in the Consolidated Statements of Operations and Comprehensive Income, with cash received from leases classified as operating cash flows in the Consolidated Statements of Cash Flows. The difference between the cash received from leases and the interest income is the reduction of the initial net investment. The net investment at the end of the lease term will equate to the estimated residual value at lease inception. For operating leases, the Company continues to recognize the underlying asset on the Consolidated Balance Sheets, and lease income is recognized in revenue, straight-line over the lease term in the Consolidated Statements of Operations and Comprehensive Income. The cash received from leases are classified as operating cash flows on the Consolidated Statements of Cash Flows.

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 variable interest entity ("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 not to be a VIE, the voting interest entity model will be applied. The maximum exposure to loss as a result of involvement with the VIE is the Company's share of the investee's net assets.

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.

x) Government assistance

The Company may receive compensation from government-funded assistance, which provides compensation for expenses incurred. These amounts are recognized in the Consolidated Statements of Operations and Comprehensive Income on a systematic basis in the periods in which the expenses are recognized. These amounts are presented as a reduction to the related expense.

y) Derivative instruments

The Company uses derivative financial instruments to manage financial risks from fluctuations in share prices. These instruments included swap agreements related to the conversion of convertible debentures. Such instruments were only used for risk management purposes. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. Derivative financial instruments are subject to standard terms and conditions, financial controls, management and risk monitoring procedures. These derivative financial instruments were not designated as hedges for accounting purposes and were recorded at fair value with realized and unrealized gains and losses recognized in the Consolidated Statements of Operations.

3. Accounting pronouncements recently adopted

a) Financial instruments - credit losses

The Company adopted the new standard for credit losses effective January 1, 2020, which amends the impairment model of financial instruments to require the immediate recognition of expected losses rather than incurred losses. In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326). The Company applied a modified retrospective approach where the cumulative effect adjustment is recognized to the opening balance of equity at adoption (January 1, 2020). This transition method allowed the Company to not apply the new guidance, including disclosure requirements, to the comparative period presented. The adoption of this new standard did not have a material impact to the financial statements. Due to the limited historical default rates, there was no adjustment to opening equity at adoption.

b) Fair value measurement

The Company adopted the new standard for fair value measurement effective January 1, 2020. 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. The adoption of this new standard did not have a material impact to the financial statements.

c) Internal-use software

The Company adopted the new standard for internal-use software effective January 1, 2020. 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. The adoption of this new standard did not have a material impact to the financial statements.

d) Related party guidance for variable interest entities

The Company adopted the new standard for related party guidance for variable interest entities effective January 1, 2020. 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. The adoption of this new standard did not have a material impact to the financial statements.

4. Recent accounting pronouncements not yet adopted

Debt with conversion and other options

In September 2020, the FASB issued ASU 2020-06, Debt - Debt with Conversion and Other Options and Derivatives and Hedging - Contracts in Entity's own Equity. This accounting standard update was issued to address issues identified as a result of the complexity associated with applying GAAP for certain financial instruments with characteristics of liabilities and equity. This standard is effective January 1, 2022 with early adoption permitted. The Company is assessing the impact that the adoption of this standard may have on its consolidated financial statements.

5. Accounts receivable

	December 31, 2020	December 31, 2019
Trade	**$ 23,692**	$ 38,686
Holdbacks	**64**	7,152
Accrued trade receivables	**8,445**	13,174
Contract receivables	**$ 32,201**	$ 59,012
Other	**4,172**	7,734
	$ 36,373	$ 66,746

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 14(d).

6. Revenue

a) Disaggregation of revenue

Year ended December 31,	2020	2019
Revenue by source		
Operations support services	**$ 493,407**	$ 586,757
Construction services	**6,967**	132,310
	$ 500,374	$ 719,067
By commercial terms		
Time-and-materials	**$ 263,854**	$ 343,156
Unit-price	**225,667**	375,911
Lump-sum	**10,853**	—
	$ 500,374	$ 719,067
Revenue recognition method		
As-invoiced	**$ 341,999**	$ 467,013
Cost-to-cost percent complete	**158,375**	252,054
	$ 500,374	$ 719,067

b) Contract balances

	December 31, 2020	December 31, 2019
Contract assets	**$ 7,034**	$ 19,193
Contract liabilities	**1,512**	23

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

Year ended December 31,	2020	2019
Balance, beginning of year	**$ 19,193**	$ 10,673
Transferred to receivables from contract assets recognized at the beginning of the period	**(16,516)**	(10,276)
Decreases due to derecognition of unpriced contract modifications	**(2,677)**	—
Increases as a result of changes to the estimate of the stage of completion, excluding amounts transferred in the period	**6,909**	14,892
Increases as a result of work completed, but not yet an unconditional right to consideration	**125**	5,736
Decreases due to effect of change in presentation of NL Partnership	**—**	(1,832)
Balance, end of year	**$ 7,034**	$ 19,193

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

Year ended December 31,	2020	2019
Balance, beginning of year	**$ 23**	$ 4,032
Revenue recognized that was included in the contract liability balance at the beginning of the period	**(23)**	(4,031)
Increases due to cash received, excluding amounts recognized as revenue during the period	**1,512**	174
Decreases due to effect of change in presentation of NL Partnership	**—**	(152)
Balance, end of year	**$ 1,512**	$ 23

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

Year ended December 31,	2020	2019
Revenue recognized	**$ 1,403**	$ 1,857

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.

c) Unpriced contract modifications

The Company recognized revenue from variable consideration related to unpriced contract modifications for the year ended December 31, 2020 of $nil (December 31, 2019 - $4,936).

The Company has recorded amounts in contract assets related to uncollected consideration from revenue recognized on unpriced contract modifications as at December 31, 2020 of $nil (December 31, 2019 - $5,312).

The change in unpriced contract modifications during the year ended December 31, 2020 was largely due to resolved unpriced contract modifications.

d) 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,	
2021	$ 87,289
2022	11,717
2023	11,717
2024	9,270
2025	6,823
	$ 126,816

e) Contract costs

The following table summarizes contract costs included within other assets on the Consolidated Balance Sheets.

	December 31, 2020	December 31, 2019
Fulfillment costs	**$ 1,432**	$ 1,016
Reimbursable bid costs	**537**	—
	$ 1,969	$ 1,016

During the year ended December 31, 2020, fulfillment costs of $2,256 were capitalized and reimbursable bid costs of $537 were capitalized (December 31, 2019 - $1,016 and $nil, respectively).

7. Long-term debt

	Note	**December 31, 2020**	December 31, 2019
Credit Facility	*7(a)*	**$ 220,000**	$ 190,000
Convertible debentures	*7(b)*	**55,000**	94,031
Mortgages		**21,206**	21,739
Financing obligations	*7(c)*	**51,118**	15,435
Promissory notes	*7(d)*	**12,726**	14,648
Unamortized deferred financing costs	*7(e)*	**(2,196)**	(3,896)
		$ 357,854	$ 331,957
Less: current portion of long-term debt		**(16,307)**	(18,514)
		$ 341,547	$ 313,443

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 2020 are: $ 16.3 million in 2021, $16.8 million in 2022, $237.4 million in 2023, $15.1 million in 2024 and $1.3 million in 2025.

a) Credit facility

On October 8, 2020 the Company entered into an amendment to our Amended and Restated Credit Agreement (the "Credit Facility") with a banking syndicate led by National Bank Financial Inc. that increased allowed borrowing under the revolving loan ("Revolver") to $325.0 million with the ability to increase the maximum borrowings by an additional $25.0 million, subject to certain conditions. This facility matures on October 8, 2023, with an option to extend on an annual basis. The Credit Facility permits finance lease obligations to a limit of $150.0 million and certain other borrowings outstanding to a limit of $20.0 million. During the year ended December 31, 2020, financing costs of $ 965 were incurred in connection with the amended Credit Facility and are included in other assets on the Consolidated Balance Sheets.

On November 23, 2018 the Company entered into an Amended and Restated Credit Agreement (the "Previous Credit Facility") with a banking syndicate led by National Bank Financial Inc. The Previous Credit Facility was compromised solely of a revolving loan which allowed borrowings 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. The Previous Facility permitted finance lease obligations to a limit of $ 150.0 million and other borrowings outstanding of $20.0 million.

As at December 31, 2020, there was $ 0.9 million (December 31, 2019 - $ 0.9 million) in issued letters of credit under the Credit Facility and the unused borrowing availability was $104.1 million (December 31, 2019 - $ 109.1 million). As at December 31, 2020, there was $ 29.4 million in borrowing availability under finance lease obligations (December 31, 2019 - $53.9 million). Borrowing availability under finance lease obligations considers the current and long-term portion of finance lease obligations, financing obligations and equipment promissory notes.

The Credit Facility has two financial covenants that must be tested quarterly on a trailing four-quarter basis. As at December 31, 2020, 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 Credit Facility), plus applicable margins. The Company is also subject to non-refundable standby fees, 0.40% to 0.75% depending on the Company's Total Debt / Bank EBITDA Ratio. Total debt ("Total Debt") is defined in the Credit Facility as long-term debt including 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 10).

b) Convertible debentures

	December 31, 2020	December 31, 2019
5.00% convertible debentures	**$ 55,000**	$ 55,000
5.50% convertible debentures	**—**	39,031
	$ 55,000	$ 94,031

The terms of the convertible debentures are summarized as follows:

	Date of issuance	Maturity	Conversion price	Share equivalence per $1000 debenture	Debt issuance costs
5.00% 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 5.00% convertible debentures are redeemable under certain conditions after a change in control has occurred. If a change in control occurs, the Company is required to offer to purchase all of the convertible debentures at a price equal to 101% of the principal amount plus accrued and unpaid interest to the date of purchase.

The 5.50% convertible debentures were issued March 15, 2017 and the Company incurred debt issuance costs of $ 2,133. The debentures were expected to mature on March 31, 2024 and were convertible, at the option of the Company, at a conversion price of $10.85. On April 6, 2020, the 5.50% convertible debentures were redeemed in accordance with their terms. The Company satisfied the redemption price through the issuance of 4,583,655 common shares. Accrued and unpaid interest was settled in cash. The principal amount of debentures derecognized was $ 38,605. In the three months ended March 31, 2020, a principal amount of $426 was converted into 39,261 common shares.

On March 23, 2020 the Company entered into a swap agreement related to shares expected to be issued upon redemption of the 5.50% convertible debentures. This swap agreement was settled in April 2020 in accordance with its stated terms and resulted in the recognition of a realized loss of $2,210 based on the difference between the conversion price of the shares under the terms of the 5.50% convertible notes and the expected price of the Company's shares at the settlement date.

In April 2020, an additional swap agreement was entered into with respect to these shares. As at December 31, 2020, the Company recognized a realized gain of $2,142 and an unrealized gain of $ 4,334 on this agreement based on the difference between the par value of the converted shares and the expected price of the Company's shares at contract maturity. This swap agreement is expected to mature in June 2021.

c) Financing obligations

The Company accounts for sale-leaseback transactions where control of the asset does not transfer as a financing transaction rather than a finance lease. During the year ended December 31, 2020, the Company recorded new financing obligations of $45,357. The finance contracts expire between June 2024 and May 2025 and bear interest at rates between 2.38% and 3.34%. The finance obligations are secured by the corresponding property, plant and equipment.

d) Promissory note

During the year ended December 31, 2020, the Company recorded a new equipment promissory note of $ 15,100. The contract expires May 2024 and bears interest at 3.45%. The promissory note is secured by the corresponding property, plant and equipment. During the year ended December 31, 2020, the Company settled and made payment of $17,022 towards promissory notes.

e) Deferred financing costs

	December 31, 2020	December 31, 2019
Cost	**$ 2,784**	$ 4,918
Accumulated amortization	**588**	1,022
	$ 2,196	$ 3,896

During the year ended December 31, 2020, the Company wrote off unamortized deferred financing costs related to the convertible debentures of $1,286.

8. Property, plant and equipment

December 31, 2020	Cost	Accumulated Depreciation	Net Book Value
Owned assets			
Heavy equipment	**$ 352,948**	**$ 102,624**	**$ 250,324**
Major component parts in use	**326,022**	**111,583**	**214,439**
Other equipment	**41,934**	**27,041**	**14,893**
Licensed motor vehicles	**16,387**	**10,592**	**5,795**
Office and computer equipment	**6,337**	**4,137**	**2,200**
Land	**10,472**	**—**	**10,472**
Buildings	**22,701**	**3,062**	**19,639**
	776,801	**259,039**	**517,762**
Assets under finance lease			
Heavy equipment	**97,871**	**25,454**	**72,417**
Major component parts in use	**52,798**	**16,264**	**36,534**
Other equipment	**5,287**	**966**	**4,321**
Licensed motor vehicles	**3,629**	**959**	**2,670**
	159,585	**43,643**	**115,942**
Total property, plant and equipment	**$ 936,386**	**$ 302,682**	**$ 633,704**

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

9. 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 five years.

a) Lease expenses and (income)

Year ended December 31,	2020	2019
Short-term lease expense	**$ 14,555**	$ 36,179
Operating lease expense	**4,740**	4,435
Operating lease income	**(8,118)**	(3,074)

The Company generates operating lease income from the sublease of certain office facilities and heavy equipment rentals.

During the year ended December 31, 2020, depreciation of equipment under finance leases was $ 17,147 (December 31, 2019 - $26,416).

b) Supplemental balance sheet information

	December 31, 2020	December 31, 2019
Net book value of property, plant and equipment under finance leases	**$115,942**	$139,140
Weighted-average remaining lease term (in years):		
Finance leases	**3.0**	3.1
Operating leases	**8.1**	8.3
Weighted-average discount rate:		
Finance leases	**3.66 %**	3.94 %
Operating leases	**4.79 %**	4.80 %

c) Maturity analysis

The future minimum lease payments and receipts from non-cancellable operating leases as at December 31, 2020 for the periods shown are as follows:

	Payments		Receipts
For the year ending December 31,	Finance Leases	Operating Leases	Operating leases
2021	$ 28,969	$ 4,768	$ 8,179
2022	22,735	3,702	7,276
2023	13,942	2,413	6,121
2024	6,442	1,193	493
2025 and thereafter	1,358	10,160	—
Total minimum lease payments	$ 73,446	$ 22,236	$ 22,069
Less: amount representing interest	(3,974)	(4,114)	
Carrying amount of minimum lease payments	$ 69,472	$ 18,122	
Less: current portion of leases	(26,895)	(4,004)	
	$ 42,577	$ 14,118	

10. Investments in affiliates and joint ventures

The Company accounts for these investments as follows:

Investee name:	Interest	Consolidation
Nuna East Ltd.	37 %	Equity method
Nuna Pang Contracting Ltd.	37 %	Equity method
Nuna West Mining Ltd.	49 %	Equity method
1229181 B.C Ltd.	49 %	Equity method
North American Nuna Joint Venture	50 %	Equity method
NAYL Realty Inc.	49 %	Equity method
BNA Remanufacturing Limited Partnership	50 %	Equity method
Dene North Site Services Partnership	49 %	Proportionate
Mikisew North American Limited Partnership	49 %	Proportionate

Upon initial acquisition of the interest in the Nuna Logistics Partnership ("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 1229181 B.C. Ltd. and the Company changed its presentation of NL Partnership and applied the equity method prospectively as of November 1, 2019. The assets and liabilities of the NL Partnership were reclassified from the respective accounts to the investment in affiliates and joint ventures.

During the year ended December 31, 2020, North American Nuna Joint Venture was formed between the Company and NL Partnership for the purpose of bidding on certain projects. Equity earnings in affiliates and joint ventures includes both the Company's direct share of the earnings of this joint venture and the portion recognized via its investment in NL Partnership. The Company is not the primary beneficiary of this variable interest entity because it does not have the power to direct the activities that most significantly impact the entity's economic performance.

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

	December 31, 2020	December 31, 2019
Balance, beginning of the year	**$ 42,908**	$ 11,788
Additions due to change in presentation of NL Partnership	**—**	37,025
Additions	**2,790**	—
Share of net income	**5,942**	2,780
Dividends, repayments of loans and other adjustments	**(7,590)**	(8,685)
Balance, end of the year	**$ 44,050**	$ 42,908

During the year ended December 31, 2020, the Company invested $ 1,810 in cash and $ 980 in property, plant and equipment for the investments in NAYL Realty Inc. and BNA Remanufacturing Limited Partnership.

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

Balance Sheets

	December 31, 2020	December 31, 2019
Assets		
Current assets	**$ 51,727**	$ 33,734
Non-current assets	**40,858**	21,370
Total assets	**$ 92,585**	$ 55,104
Liabilities		
Current liabilities	**$ 24,200**	$ 10,590
Non-current liabilities	**24,335**	2,614
Total liabilities	**$ 48,535**	$ 13,204

Statements of Operations and Comprehensive Income

Year ended December 31,	**2020**	2019
Revenues	**$ 59,944**	$ 24,689
Gross profit	**9,833**	5,148
Income before taxes	**7,717**	3,782
Net income and comprehensive income	**5,942**	2,780

11. Income taxes

Income tax expense 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,	2020	2019
Income before income taxes	**$ 60,472**	$ 39,991
Tax rate	**23.00 %**	26.50 %
Expected expense	**$ 13,909**	$ 10,598
Decrease related to:		
Impact of enacted future statutory income tax rates	**(211)**	(5,797)
Rate differential on equity earnings in affiliates and joint ventures	**(1,606)**	(859)
Other	**(828)**	(1,097)
Deferred income tax expense	**$ 11,264**	$ 2,845
Current income tax expense	**—**	13
Total income tax expense	**$ 11,264**	$ 2,858

The deferred tax assets and liabilities are summarized below:

	December 31, 2020	December 31, 2019
Deferred tax assets:		
Non-capital and net capital loss carryforwards	**$ 40,758**	$ 44,763
Finance lease obligations	**27,736**	27,220
Stock-based compensation	**2,872**	3,393
Other	**1,990**	682
Subtotal	**$ 73,356**	$ 76,058
Less: valuation allowance	**(391)**	(881)
	$ 72,965	$ 75,177
Deferred tax liabilities:		
Contract assets	**$ 1,524**	$ 4,805
Property, plant and equipment	**117,768**	106,104
Other	**1,461**	1,114
	$ 120,753	$ 112,023
Net deferred income tax liability	**$ 47,788**	$ 36,846

Classified as:

	December 31, 2020	December 31, 2019
Deferred tax asset	**$ 16,407**	$ 15,655
Deferred tax liability	**(64,195)**	(52,501)
	$ (47,788)	$ (36,846)

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

At December 31, 2020, the Company has a deferred tax asset of $ 40,367 resulting from non-capital loss carryforwards of $ 175,507, which expire as follows:

	December 31, 2020
2026	**$ 279**
2031	**179**
2032	**4,672**
2033	**5,893**
2034	**819**
2036	**3,125**
2037	**17,799**
2038	**86,979**
2039	**39,470**
2040	**16,292**
	$ 175,507

At December 31, 2020, the Company has recorded a valuation allowance against the deferred tax asset of $ 391 resulting from net capital loss carryforwards of $3,399, which have an indefinite life.

On October 20, 2020, Bill 35 was substantively enacted which accelerated the previous Job Creation Tax Cut, resulting in a reduction to the Alberta general corporate income tax rate from 10% to 8% on July 1, 2020. Due to the reduction in Alberta general corporate income tax rate, the Company has remeasured its deferred tax assets and deferred tax liabilities as at December 31, 2020.

12. Accrued liabilities

	Note	**December 31, 2020**	December 31, 2019
Payroll liabilities		**$ 11,929**	$ 11,973
Income and other taxes payable		**3,216**	38
Dividends payable	*15(c)*	**1,167**	1,030
Accrued interest payable		**856**	1,557
Liabilities related to short-term rentals		**730**	2,405
Other		**1,213**	557
		$ 19,111	$ 17,560

13. Other long-term obligations

	Note	**December 31, 2020**	December 31, 2019
Directors' deferred stock unit plan	*17(c)*	**$ 10,761**	$ 14,375
Deferred gain on sale-leaseback	*13(a)*	**4,748**	6,593
Other		**3,341**	3,536
		$ 18,850	$ 24,504

a) Deferred gain on sale-leaseback

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

	December 31, 2020	December 31, 2019
Balance, beginning of year	**$ 6,593**	$ 8,438
Amortization of deferred gain on sale-leaseback	**(1,845)**	(1,845)
Balance, end of year	**$ 4,748**	$ 6,593

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.

14. 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 fair value and such value may never actually be realized.

The fair values of the Company's cash, accounts receivable, contract assets, loans to affiliates 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 Facility has a carrying value that approximates the fair value due to the floating rate nature of the debt. The promissory notes and mortgages have carrying values that are not materially different than their fair values due to similar instruments bearing similar interest rates.

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

		December 31, 2020		December 31, 2019	
	Fair Value Hierarchy Level	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Convertible debentures	Level 1	**55,000**	**52,250**	94,031	112,970
Financing obligations	Level 2	**51,118**	**49,938**	15,435	13,647

b) Risk management

The Company is exposed to liquidity, 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. 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.

In response to the economic slowdown caused by COVID-19, the Government of Canada introduced the Canada Emergency Wage Subsidy, an employer assistance program. For the year ended December 31, 2020, the Company recognized $28,232 of salary and wage subsidies presented as reductions of project costs, equipment costs and general and administrative expenses of $16,241, $9,107 and $2,884 respectively.

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, 2020, the Company held $220.0 million of floating rate debt pertaining to its Credit Facility (December 31, 2019 – $190.0 million). As at December 31, 2020, holding all other variables constant, a 100 basis point change to interest rates on the outstanding floating rate debt will result in $2.2 million corresponding change in annual interest expense.

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

Year ended December 31,	**2020**	2019
Customer A	**45 %**	33 %
Customer B	**30 %**	22 %
Customer C	**11 %**	13 %
Customer D	**10 %**	27 %

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, 2020 and December 31, 2019, the following customers represented 10% or more of accounts receivable and contract assets:

	December 31, 2020	December 31, 2019
Customer 1	**39 %**	36 %
Customer 2	**20 %**	12 %
Customer 3	**16 %**	13 %
Customer 4	**— %**	25 %

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

	December 31, 2020	December 31, 2019
Trade accounts receivable	**$ 23,692**	$ 38,686
Holdbacks	**64**	7,152
Accrued trade receivables	**8,445**	13,174
Contract receivables, included in accounts receivable	**$ 32,201**	$ 59,012
Other receivables	**4,172**	7,734
Total accounts receivable	**$ 36,373**	$ 66,746
Contract assets	**7,034**	19,193
Total	**$ 43,407**	$ 85,939

Payment terms are per the negotiated customer contracts and generally range between net 15 days and net 60 days. As at December 31, 2020 and December 31, 2019, trade receivables and holdbacks are aged as follows:

	December 31, 2020	December 31, 2019
Not past due	**$ 21,725**	$ 35,409
Past due 1-30 days	**1,821**	10,380
Past due 31-60 days	**85**	5
More than 61 days	**125**	44
Total	**$ 23,756**	$ 45,838

As at December 31, 2020, the Company has recorded an allowance for credit losses of $ nil (December 31, 2019 - $nil).

15. Shares

a) Common shares

	Common shares	Treasury shares	Common shares, net of treasury shares
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
Issued upon exercise of stock options	**109,100**	**—**	**109,100**
Issued upon conversion of convertible debentures	**4,622,916**	**—**	**4,622,916**
Retired through share purchase program	**(1,223,097)**	**—**	**(1,223,097)**
Purchase of treasury shares	**—**	**(907,462)**	**(907,462)**
Settlement of certain equity classified stock-based compensation	**—**	**787,728**	**787,728**
Issued and outstanding at December 31, 2020	**31,011,831**	**(1,845,201)**	**29,166,630**

Upon settlement of certain equity classified stock-based compensation during the year ended December 31, 2020, the Company repurchased 372,628 shares for $3,576 to satisfy the recipient tax withholding requirements (year ended December 31, 2019 - 513,540 shares for $7,246). 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,		**2020**		2019
Net income available to common shareholders	**$**	**49,208**	$	36,878
Interest from convertible debentures (after tax)		**2,370**		3,590
Diluted net income available to common shareholders	**$**	**51,578**	$	40,468
Weighted-average number of common shares		**28,165,130**		25,444,374
Weighted-average effect of dilutive securities				
Dilutive effect of treasury shares		**1,949,717**		1,898,645
Dilutive effect of stock options		**90,741**		255,378
Dilutive effect of 5.00% convertible debentures		**2,095,236**		1,647,487
Dilutive effect of 5.50% convertible debentures		**—**		3,597,327
Weighted-average number of diluted common shares		**32,300,824**		32,843,211
Basic net income per share	**$**	**1.75**	$	1.45
Diluted net income per share	**$**	**1.60**	$	1.23

For the year ended December 31, 2020, all securities were dilutive (year ended December 31, 2019, all securities were dilutive).

Commencing on March 12, 2020, the Company engaged in a normal course issuer bid ("NCIB") under which a maximum number of 2,300,000 common shares were authorized to be purchased. During the year ended December 31, 2020, the Company purchased and subsequently cancelled 1,223,097 shares under this NCIB, which resulted in a decrease of common shares of $ 9,863 and an increase to additional paid-in capital of $755.

Subsequent to the year ended December 31, 2020, the Company purchased and subsequently cancelled 377,500 shares under this NCIB, which resulted in a decrease of common shares of $3,068 and an increase to additional paid-in capital of $ 1,838.

c) Dividends

	Date declared		Per share	Shareholders on record as of	Paid or payable to shareholders		Total paid or payable
Q4 2019	October 29, 2019	$	0.04	November 30, 2019	January 3, 2020	$	1,030
Q1 2020	February 18, 2020	$	0.04	March 5, 2020	April 3, 2020	$	1,023
Q2 2020	May 5, 2020	$	0.04	May 29, 2020	July 3, 2020	$	1,162
Q3 2020	July 28, 2020	$	0.04	August 31, 2020	October 2, 2020	$	1,156
Q4 2020	October 27, 2020	$	0.04	November 30, 2020	January 8, 2021	$	1,167

16. Interest expense, net

Year ended December 31,		2020		2019
Credit facilities	**$**	**8,189**	$	9,826
Convertible debentures		**3,299**		4,318
Finance lease obligations		**3,184**		3,691
Mortgages		**999**		963
Promissory notes		**664**		1,691
Financing obligations		**1,265**		272
Amortization of deferred financing costs		**1,091**		969
Interest expense	**$**	**18,691**	$	21,730
Other interest income		**(10)**		(107)
	$	**18,681**	$	21,623

17. Stock-based compensation

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

Year ended December 31,	*Note*		2020		2019
Restricted share unit plan	*17(a)*	**$**	**1,991**	$	1,933
Performance restricted share unit plan	*17(b)*		**2,031**		1,892
Deferred stock unit plan	*17(c)*		**(2,078)**		5,618
		$	**1,944**	$	9,443

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, 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
Granted	**298,142**	**8.55**
Vested	**(269,484)**	**6.19**
Forfeited	**(37,264)**	**8.81**
Outstanding at December 31, 2020	**641,471**	**10.34**

At December 31, 2020, there were approximately $3,290 of unrecognized compensation costs related to non-vested share-based payment arrangements under the RSU plan (December 31, 2019 – $3,104) and these costs are expected to be recognized over the weighted-average remaining contractual life of the RSUs of 1.6 years (December 31, 2019 – 1.3 years). During the year ended December 31, 2020, 269,484 units vested, which were settled with common shares purchased through a trust arrangement (December 31, 2019 - 465,194 units vested, of which 426,514 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, 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
Granted	**211,754**	**8.55**
Vested	**(201,104)**	**8.51**
Outstanding at December 31, 2020	**492,557**	**8.86**

At December 31, 2020, there were approximately $ 3,405 of total unrecognized compensation costs related to non–vested share–based payment arrangements under the PSU plan (December 31, 2019 - $2,905) and these costs are expected to be recognized over the weighted-average remaining contractual life of the PSUs of 1.6 years (December 31, 2019 - 1.2 years). During the year ended December 31, 2020, 201,104 units vested, which 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, 2019 - 372,924 units at a factor of 2.00 vested, of which 334,244 units were settled).

The Company estimated the fair value of the PSUs granted during the years ended December 31, 2020 and 2019 using a Monte Carlo simulation with the following assumptions:

	2020	2019
Risk-free interest rate	**0.30 %**	1.43 %
Expected volatility	**48.71 %**	40.12 %

c) Deferred stock unit plan

Prior to January 1, 2021, under the Company's shareholding guidelines non-officer directors of the Company were required to receive at least 50% and up to 100% of their annual fixed remuneration in the form of DSUs, at their election. The shareholding guidelines were amended effective January 1, 2021 to require directors to take at least 60% and up to 100% of their annual fixed remuneration in the form of DSUs if they do not meet shareholding guidelines, and to take between 0% and 100% if of their annual fixed remuneration in the form of DSUs if they do meet shareholding guidelines. In addition to directors, eligible executives can elect to receive up to 50% of their annual short term incentive plan compensation in the form of DSUs.

The DSUs vest immediately upon issuance and are only redeemable upon departure, retirement or death 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 departure, retirement or death occurred.

	Number of units
Outstanding at December 31, 2018	1,126,239
Granted	82,191
Redeemed	(307,385)
Outstanding at December 31, 2019	901,045
Granted	**114,020**
Redeemed	**(9,562)**
Outstanding at December 31, 2020	**1,005,503**

At December 31, 2020, the fair market value of these units was $ 12.42 per unit (December 31, 2019 – $ 15.95 per unit). At December 31, 2020, the current portion of DSU liabilities of $1,728 was included in accrued liabilities (December 31, 2019 - $ nil) and the long-term portion of DSU liabilities of $10,761 was included in other long-term obligations (December 31, 2019 - $ 14,375) in the Consolidated Balance Sheets. During the year ended December 31, 2020, there were 9,562 units redeemed and settled in cash for $ 103 (December 31, 2019 - 307,385 units were redeemed and settled in cash for $5,084). 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, 2020, 2,382,019 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, 2018	565,600	5.40
Exercised[(i)]	(327,000)	5.97
Outstanding at December 31, 2019	238,600	4.61
Exercised[(i)]	**(109,100)**	**4.91**
Forfeited or expired	**(4,500)**	**10.13**
Outstanding at December 31, 2020	**125,000**	**4.16**

[(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, 2020 was $ 537 (2019 - $1,953). For the year ended December 31, 2020, 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 $535 (December 31, 2019 - $3,274).

The following table summarizes information about stock options outstanding at December 31, 2020:

			Options outstanding and exercisable	
Exercise price	Number	Weighted-average remaining life		Weighted-average exercise price
$2.75	73,400	1.7 years	$	2.75
$5.91	31,100	3.0 years	$	5.91
$6.56	20,500	0.9 years	$	6.56
	125,000	1.9 years	$	4.16

At December 31, 2019, the weighted-average remaining contractual life of outstanding options was 2.4 years and the weighted-average exercise price was $4.61. The fair value of options vested during the year ended December 31, 2020 was $ nil (December 31, 2019 – $nil). At December 31, 2020, the Company had 125,000 exercisable options (December 31, 2019 – 238,600) with a weighted-average exercise price of $4.16 (December 31, 2019 – $4.61).

At December 31, 2020 and 2019 there were no compensation costs related to non-vested awards not yet recognized and no stock options granted under this plan.

18. Other information

a) Supplemental cash flow information

Year ended December 31,	2020	2019
Cash paid during the year for:		
Interest	**$ 18,526**	$ 20,039
Cash received during the year for:		
Interest	**151**	72
Non-cash transactions:		
Addition of property, plant and equipment by means of finance leases	**27,882**	28,107
Decrease to property, plant and equipment upon investment contribution to affiliates and joint ventures	**(980)**	—
Increase in assets held for sale, offset by property, plant and equipment	**7,127**	4,230
Non-cash working capital exclusions:		
Net decrease in accounts receivable relating to other adjustments to investments in affiliates and joint ventures	**(911)**	—
Net decrease in accrued liabilities related to conversion of bonus compensation to deferred stock units	**294**	428
Net decrease in other accrued liabilities	**—**	582
Net increase in accrued liabilities related to the current portion of deferred stock units liability	**(1,727)**	—
Net increase in accrued liabilities related to dividend payable	**(137)**	(530)
Net decrease in long-term portion of payroll liabilities	**—**	536
Non-cash working capital transactions related to the reorganization of investments in affiliates and joint ventures:		
Decrease in accounts receivable	**—**	(10,260)
Decrease in contract assets	**—**	(1,832)
Decrease in inventory	**—**	(4,321)
Decrease in prepaid expenses	**—**	(341)
Decrease in contract costs	**—**	(349)
Decrease in accounts payable	**—**	3,859
Decrease in accrued liabilities	**—**	1,615
Decrease in contract liabilities	**—**	152

b) Net change in non-cash working capital

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

Year ended December 31,	2020	2019
Operating activities:		
Accounts receivable	**$ 29,462**	$ 5,393
Contract assets	**12,159**	(10,352)
Inventories	**2,475**	(12,579)
Contract costs	**(953)**	943
Prepaid expenses and deposits	**(593)**	(663)
Accounts payable	**(46,832)**	28,600
Accrued liabilities	**(19)**	1,034
Contract liabilities	**1,489**	(3,857)
	$ (2,812)	$ 8,519

19. Related party transactions

Amounts payable and receivables from joint ventures and affiliates 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. The following table provides the balance sheet balances with North American Nuna Joint Venture, NL Partnership and its affiliates:

	December 31, 2020	December 31, 2019
Accounts receivable	**$ 1,179**	$ 1,202
Other assets	**1,432**	—
Accounts payable and accrued liabilities	**5,296**	251

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

The Company enters into transactions with a number of its joint ventures and affiliates that involve providing services primarily consisting of management fees and equipment rental revenue. These transactions were conducted in the normal course of operations, which were established and agreed to as consideration by the related parties. For the years ended December 31, 2020 and 2019, revenue earned from these services was not material.

20. 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.

EXHIBIT 99.1

News Release

North American Construction Group Ltd. Announces Results for the Fourth Quarter and Year Ended December 31, 2020

ACHESON, Alberta, February 17, 2021 - North American Construction Group Ltd. ("NACG") (TSX:NOA/NYSE:NOA) today announced results for the fourth quarter and year ended December 31, 2020. Unless otherwise indicated, financial figures are expressed in Canadian dollars, and comparisons are to the prior period ended December 31, 2019.

Fourth Quarter and Year Ended 2020 Highlights:

- Adjusted EBITDA of $46.2 million resulted in full year adjusted EBITDA of $175.5 million. Both are consistent with prior year, reflecting a continued recovery to pre-pandemic levels as the year progressed and a demonstrated ability to react quickly and implement cost discipline when required.
- Gross profit margin of 17.0% in Q4 2020 compared to 13.2% in prior period reflected positive operating conditions through the start of the winter season of work.
- COVID-19 related safety protocols and mine site access restrictions remained consistent with mid-year conditions and continue to have pervasive temporary impacts on all aspects of operations.
- Free cash flow ("FCF") of $40.5 million resulted in full year FCF of $43.5 million. In addition to strong adjusted EBITDA in the quarter, FCF was positively impacted by the typical Q4 changes in capital work in process, capital inventory and working capital balances.
- Net debt was $385.6 million at December 31, 2020, reduced $21.0 million from the prior year balance of $406.6 million. Deleveraging was achieved through free cash flow generation and capital allocation prioritization in Q4.
- Diversification efforts led to 35% of adjusted EBIT being generated outside of the Fort McMurray region. Realized progress towards the diversification goal and the strength of the active bid pipeline have led to an increase of our 2022 diversification target to 50%.
- On October 8, 2020, we extended our credit facility agreement to October 8, 2023 and increased the available borrowings permitted under our revolving facility by $25.0 million to $325.0 million.
- On October 22, 2020, we announced the award of a two-year major earthworks contract in Northern Ontario. The contract was awarded to a joint venture owned and operated equally by us and Nuna. Valued at over $250 million, the project has begun to ramp up with peak volumes expected in Q3 2021 and completion in fall 2022.
- On December 16, 2020, we announced the appointment of Joe Lambert as President and Chief Executive Officer, effective January 1, 2021. Effective on the same date, Joe was also appointed to the Board.
- On February 2, 2021, we issued our inaugural sustainability report. The annual report provides structured framework for environmental, social and governance initiatives moving forward and will allow for measurement of progress towards our goals in a various business areas.
- In mid-February 2021 and effective January 1, 2021, Barry Palmer was appointed Chief Operating Officer.

NACG Executive Chairman, Martin Ferron, commented: "I am very pleased that our exceptional team of employees marked my final quarter as CEO with strong operating and financial performance. In particular, we met our safety target, despite the distractions, restrictions and anxiety caused by the ongoing pandemic. Also, we achieved our free cash flow objective, allowing good debt reduction from the prior quarter and made significant progress towards our diversification goal, with the award of a major construction project on a gold mine in Ontario."

NACG President and CEO, Joseph Lambert, added: "Looking forward, I am excited for the opportunity to lead North American Construction Group through the next stage of our long and storied history. It is reassuring to inherit a strategy that can withstand the challenges experienced in 2020. I have been intimately involved in the development and execution of this proven strategy and am committed to progressing it further."

Consolidated Financial Highlights

(dollars in thousands, except per share amounts)	Three months ended December 31, 2020	Three months ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
Revenue	**$ 136,771**	$ 189,455	**$ 500,374**	$ 719,067
Project costs	**39,419**	66,091	**139,452**	277,646
Equipment costs	**47,809**	69,960	**177,532**	243,427
Depreciation	**26,273**	28,327	**89,008**	101,582
Gross profit[(i)]	**$ 23,270**	$ 25,077	**$ 94,382**	$ 96,412
Gross profit margin[(i)]	**17.0 %**	13.2 %	**18.9 %**	13.4 %
General and administrative expenses (excluding stock-based compensation)	**6,264**	7,656	**22,158**	27,455
Stock-based compensation expense	**4,839**	1,754	**1,944**	9,443
Operating income	**11,987**	15,332	**68,945**	58,834
Interest expense, net	**4,441**	5,498	**18,681**	21,623
Net income and comprehensive income available to shareholders	**$ 10,044**	$ 8,242	**$ 49,208**	$ 36,878
Adjusted EBITDA[(i)(ii)]	**$ 46,243**	$ 47,789	**$ 175,450**	$ 174,229
Adjusted EBITDA margin[(i)]	**33.8 %**	25.2 %	**35.1 %**	24.2 %
Per share information				
Basic net income per share	**$ 0.34**	$ 0.32	**$ 1.75**	$ 1.45
Diluted net income per share	**$ 0.32**	$ 0.28	**$ 1.60**	$ 1.23
Adjusted EPS[(i)]	**$ 0.36**	$ 0.38	**$ 1.73**	$ 1.72

[(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 increases in adjusted EBITDA of $0.2 million for the year-ended December 31, 2019.

(dollars in thousands)	Year ended December 31, 2020	Year ended December 31, 2019
Cash provided by operating activities	**$ 147,272**	$ 157,944
Cash used in investing activities	**(113,573)**	(160,678)
Capital additions financed by leases	**(27,882)**	(28,107)
Add back:		
Growth capital additions	**37,665**	45,803
Cash reclassification to investments in affiliates and joint ventures from change in presentation of NL Partnership	**—**	10,630
Free cash flow[(i)]	**$ 43,482**	**$ 25,592**

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

Declaration of Quarterly Dividend

On February 16, 2021, 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 4, 2021. The Dividend will be paid on April 9, 2021 and is an eligible dividend for Canadian income tax purposes.

Results for the Three Months December 31, 2020

Revenue was $136.8 million, down from $189.5 million in the same period last year. While operations are steadily returning to pre-pandemic levels, the delay of several large projects impacted revenue in in Q4. There was little activity at the Fort Hills mine in Q4 2020, whereas operations at Fort Hills contributed significantly to revenue in Q4 2019. A significant decrease in revenue was also seen in the external maintenance program, as prior year included the completion and delivery of rebuilt and refurbished haul trucks. Offsetting these decreases was additional reclamation volume at the Aurora Mine, revenue generated from the operations support contract at the coal mine in southern Texas and increased demand for equipment rental support at the Millennium Mine.

Gross profit of 17.0% was up from 13.2% in the prior year. The increase was the result of an effectively operated fleet and was bolstered by the Canada Emergency Wage Subsidy program. Operations support contracts from both the coal mines in Texas and Wyoming also allowed for the higher gross profit margin.

Direct general and administrative expenses (excluding stock based compensation benefit) were $6.3 million, or 4.6% of revenue, lower than Q4 2019 spending of $7.7 million but higher than the 4.0% of revenue as a result of the continued limiting of discretionary and non-essential spending.

Cash related interest expense of $4.2 million represents an average cost of debt of 3.7% as we continue to benefit from low posted rates on our credit facility and competitive rates in equipment financing.

Free cash flow in the quarter was $40.5 million and was impacted by typical Q4 positive timing changes of capital work in process, capital inventory and working capital balances. Primary routine drivers of free cash flow were adjusted EBITDA of $46.2 million less sustaining capital spending of $26.7 million and cash interest paid of $4.0 million. Sustaining capital spending was escalated and increased in the quarter in response to the stronger than expected demand for the upcoming busy winter season.

Canada Emergency Wage Subsidy (“CEWS”)

Our Q4 2020 results include $6.6 million of salary and wage subsidies presented as reductions in project costs, equipment costs and general and administrative expenses of $4.0 million, $2.0 million and $0.5 million, respectively. These amounts were received under the CEWS program which reimbursed us for a portion of wages paid to employees and greatly helped us protect jobs through retention and rehiring. Should we continue to qualify, we plan to seek assistance from this program for the remainder of 2020 and onward.

Business Updates

2021 Focus & Priorities

- Safety - focus on people and relationships, maintain an uncompromising commitment to health and safety while elevating the standard of excellence in the field.
- Sustainability - commitment to the continued development of sustainability targets and constant measurement of progress to those targets.
- Diversification - continue to pursue diversification of customer, resource and geography through strategic partnerships, industry expertise and our investment in Nuna.
- Execution - enhance our record of operational excellence with respect to fleet maintenance, availability and utilization through leverage of our reliability programs, technical improvements and management systems.

Liquidity

Liquidity is critical during times of uncertainty and cash conservation is a key priority for management in weathering this crisis. Including equipment financing availability and factoring in the amended credit facility agreement, total available capital liquidity of $177.4 million includes total liquidity of $148.0 million as at December 31, 2020. Liquidity is primarily provided by the terms of our $325.0 million credit facility which allows for funds availability based on a trailing twelve-month EBITDA and is now scheduled to expire in October 2023.

Achievement against 2020 targets and outlook for 2021

Given our visibility into 2021 and the assumption of continued easing of site access restrictions, management has provided stakeholders with guidance through 2021. This guidance is predicated on contracts currently in place and the heavy equipment fleet that we own and operate.

Key measures	2020 Actual	2020 Stated Targets	2021 Outlook
Adjusted EBITDA	**$175M**	$155 - $170M	$165 - $205M
Adjusted EPS	**$1.73**	$1.60 - $1.70	$1.60 - $1.90
Sustaining capital	**$99M**	$80 - $90M	$90 - $105M
Free cash flow	**$43M**	$40 - $55M	$60 - $80M
Capital allocation measures			
Deleverage	**$21M**	$10 - $15M	$35 - $45M
Growth capital	**$38M**	$35 - $40M	$5 - $10M
Share purchases	**$19M**	$20 - $30M	$10 - $25M
Leverage ratios			
Senior debt	**2.0x**	2.1x - 2.3x	1.6x - 2.0x
Net debt	**2.2x**	2.3x - 2.5x	1.8x - 2.2x

Conference Call and Webcast

Management will hold a conference call and webcast to discuss our financial results for the three months and year ended December 31, 2020 tomorrow, Thursday, February 18, 2021 at 9:00 am Eastern Time (7:00 am Mountain Time).

The call can be accessed by dialing:

Toll free: 1-833-900-2285
International: 1-236-714-2745
Conference ID: 8197967

A replay will be available through March 18, 2021, by dialing:

Toll Free: 1-800-585-8367
International: 1-416-621-4642
Conference ID: 8197967

A slide deck for the webcast will be available for download the evening prior to the call and will be found on the company's website at www.nacg.ca/presentations/

The live presentation and webcast can be accessed at:

https://onlinexperiences.com/Launch/QReg/ShowUUID=D2025F90-D728-4FAC-A0C7-581702D07932

A replay will be available until March 18, 2021 using the link provided.

Basis of Presentation

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 three months and year ended December 31, 2020 for further detail on the matters discussed in this release. In addition to the MD&A, please reference the dedicated Q4 2020 Results Presentation for more information on our results and projections which can be found on our website under Investors - Presentations.

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.

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 three months and year ended December 31, 2020. 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 at www.sedar.com.

Non-GAAP Financial Measures

This press release presents certain non-GAAP financial measures because management believes that they may be useful to investors in analyzing our business performance, leverage and liquidity. The non-GAAP financial measures we present include "gross profit", "adjusted net earnings", "adjusted EBIT", "equity investment EBIT", "adjusted EBITDA", "equity investment depreciation and amortization", "adjusted EPS", "margin", "senior debt", "net debt" "cash provided by operating activities prior to change in working capital", "sustaining capital", "growth capital" and "free cash flow". A non-GAAP financial measure is defined by relevant regulatory authorities as a numerical measure of an issuer's historical or future financial performance, financial position or cash flow that is not specified, defined or determined under the issuer's GAAP and that is not presented in an issuer's financial statements. These non-GAAP measures do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other companies. They should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Each non-GAAP financial measure used in this press release is defined and reconciled to its most directly comparable GAAP measure in the "Non-GAAP Financial Measures" section of our Management's Discussion and Analysis filed concurrently with this press release.

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)	**2020**	2019	**2020**	2019
Net income and comprehensive income available to shareholders	**$ 10,044**	$ 8,242	**$ 49,208**	$ 36,878
Adjustments:				
Loss (gain) on disposal of property, plant and equipment	**122**	259	**757**	(31)
Stock-based compensation expense	**4,839**	1,754	**1,944**	9,443
Restructuring costs	**—**	—	**—**	1,442
Net realized and unrealized gain on derivative financial	**(3,429)**	—	**(4,266)**	—
Write-down on asset held for sale	**—**	—	**1,800**	—
Pre-2019 inventory correction	**—**	—	**—**	(2,775)
Loss on legacy claim settlement	**—**	—	**—**	1,235
Tax effect of the above items	**(1,141)**	(534)	**(621)**	(2,468)
Adjusted net earnings[(i)]	**$ 10,435**	$ 9,721	**$ 48,822**	$ 43,724
Adjustments:				
Tax effect of the above items	**1,141**	534	**621**	2,468
Interest expense, net	**4,441**	5,498	**18,681**	21,623
Income tax expense	**319**	2,370	**11,264**	2,858
Equity loss (earnings) in affiliates and joint ventures[(ii)]	**612**	(795)	**(5,942)**	(795)
Equity investment EBIT[(i)]	**644**	1,143	**8,043**	1,143
Adjusted EBIT[(i)(ii)]	**$ 17,592**	$ 18,471	**$ 81,489**	$ 71,021
Adjustments:				
Depreciation	**26,273**	28,327	**89,008**	101,582
Write-down on asset held for sale	**—**	—	**(1,800)**	—
Amortization of intangible assets	**1,248**	76	**2,291**	711
Equity investment depreciation and amortization[(i)(ii)]	**1,130**	915	**4,462**	915
Adjusted EBITDA[(i)(ii)]	**$ 46,243**	$ 47,789	**$ 175,450**	$ 174,229

[(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 $0.9 million and $0.2 million for the year-ended December 31, 2019.

We 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, 2020.

	Three months ended December 31,		Year ended December 31,	
(dollars in thousands)	2020	2019	2020	2019
Equity (earnings) loss in affiliates and joint ventures	**$ (612)**	$ 795	**$ 5,942**	$ 795
Adjustments:				
Interest expense, net	**106**	44	**376**	44
Income tax expense	**1,124**	316	**1,373**	316
Gain on disposal of property, plant and equipment	**26**	(12)	**352**	(12)
Equity investment EBIT[(i)]	**$ 644**	$ 1,143	**$ 8,043**	$ 1,143
Depreciation	**$ 1,096**	$ 836	**$ 4,329**	$ 836
Amortization of intangible assets	**34**	79	**133**	79
Equity investment depreciation and amortization[(i)]	**$ 1,130**	$ 915	**$ 4,462**	$ 915

(i) See "Non-GAAP Financial Measures"

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.

For further information contact:

Jason Veenstra, CPA, CA
Chief Financial Officer
North American Construction Group Ltd.
Phone: (780) 948-2009
Email: jveenstra@nacg.ca
www.nacg.ca

Consolidated Balance Sheets

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

	Note	**2020**	2019
Assets			
Current assets			
Cash		**$ 43,915**	$ 5,544
Accounts receivable	*5*	**36,373**	66,746
Contract assets	*6(b)*	**7,034**	19,193
Inventories	*2(k)*	**19,174**	21,649
Prepaid expenses and deposits		**4,999**	4,245
Assets held for sale		**4,129**	424
Derivative financial instruments	*7(b)*	**4,334**	—
		119,958	117,801
Property, plant and equipment, net of accumulated depreciation $302,682 (2019 –$276,185)	*8*	**633,704**	587,729
Operating lease right-of-use assets	*9*	**18,192**	21,841
Investments in affiliates and joint ventures	*10*	**44,050**	42,908
Other assets		**6,617**	6,718
Deferred tax assets	*11*	**16,407**	15,655
Total assets		**$ 838,928**	$ 792,652
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable		**$ 41,369**	$ 88,201
Accrued liabilities	*12*	**19,111**	17,560
Contract liabilities	*6(b)*	**1,512**	23
Current portion of long-term debt	*7*	**16,307**	18,514
Current portion of finance lease obligations	*9*	**26,895**	29,206
Current portion of operating lease liabilities	*9*	**4,004**	3,799
		109,198	157,303
Long-term debt	*7*	**341,547**	313,443
Finance lease obligations	*9*	**42,577**	47,072
Operating lease liabilities	*9*	**14,118**	17,710
Other long-term obligations	*13*	**18,850**	24,504
Deferred tax liabilities	*11*	**64,195**	52,501
		590,485	612,533
Shareholders' equity			
Common shares (authorized – unlimited number of voting common shares; issued and outstanding – December 31, 2020 - 31,011,831 (December 31, 2019 – 27,502,912))	*15(a)*	**255,064**	225,966
Treasury shares (December 31, 2020 - 1,845,201 (December 31, 2019 - 1,725,467))	*15(a)*	**(18,002)**	(15,911)
Additional paid-in capital		**46,536**	49,919
Deficit		**(35,155)**	(79,855)
Shareholders' equity		**248,443**	180,119
Total liabilities and shareholders' equity		**$ 838,928**	$ 792,652
Contingencies	*20*		
Subsequent event	*15(b)*		

See accompanying notes to interim 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	**2020**	2019
Revenue	*6*	**$ 500,374**	$ 719,067
Project costs	*14(b)*	**139,452**	277,646
Equipment costs	*2(k),14(b)*	**177,532**	243,427
Depreciation		**89,008**	101,582
Gross profit		**94,382**	96,412
General and administrative expenses	*14(b),17*	**24,102**	36,898
Loss (gain) on disposal of property, plant and equipment		**757**	(31)
Amortization of intangible assets		**578**	711
Operating income		**68,945**	58,834
Interest expense, net	*16*	**18,681**	21,623
Equity earnings in affiliates and joint ventures	*10*	**(5,942)**	(2,780)
Net realized and unrealized gain on derivative financial instruments	*7(b)*	**(4,266)**	—
Income before income taxes		**60,472**	39,991
Current income tax expense	*11*	**—**	13
Deferred income tax expense	*11*	**11,264**	2,845
Net income and comprehensive income		**49,208**	37,133
Net income attributable to noncontrolling interest	*10*	**—**	(255)
Net income and comprehensive income available to shareholders		**$ 49,208**	$ 36,878
Per share information			
Basic net income per share	*15(b)*	**$ 1.75**	$ 1.45
Diluted net income per share	*15(b)*	**$ 1.60**	$ 1.23

See accompanying notes to consolidated financial statements.

NORTH AMERICAN CONSTRUCTION GROUP

EVERYONE GETS HOME SAFE



ANNUAL INFORMATION FORM

FEBRUARY 17, 2021

Table of Contents

ANNUAL INFORMATION FORM

A. Explanatory Notes 1
B. Corporate Structure 1
C. Our Business 2
D. Capital Structure and Securities 8
E. Directors and Officers 10
F. The Board and Board Committees 13
G. Forward-Looking Information, Assumptions and Risk Factors 17
H. General Matters 22
EXHIBIT A 24

Annual Information Form

February 17, 2021

A. EXPLANATORY NOTES

The information in this Annual Information Form ("AIF") is stated as at December 31, 2020*, 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, 2020 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 originally 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.". On January 1, 2021, the Company undertook a further amalgamation with certain of its wholly owned subsidiaries, adopting the articles and bylaws of the predecessor parent. 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 its subsidiaries. As at December 31, 2020, those consisted of:

- Five direct wholly-owned subsidiaries, being 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 seven wholly-owned subsidiaries of North American Construction Holdings Inc., being 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 undertook a reorganization of its subsidiaries as at January 1, 2021, with an additional reorganization as at January 31, 2021, resulting in the Company now carrying on business primarily through 10 wholly-owned directly-held subsidiaries, those being North American Fleet LP (operated by its general partner North American Fleet GP Ltd.), North American Enterprises LP (operated by its general partner North American Enterprises GP Ltd.), NACG Management Ltd., NACG Acheson Ltd., NACG Properties Inc., North American Engineering Inc., North American Maintenance Ltd., North American Mining Inc., North American Services Inc. and North American Site Development Ltd. The Company is a corporation subsisting under the *Canada Business Corporations Act*. North American Fleet LP and North American Enterprises LP are limited partnerships established under the Alberta *Partnership Act*, with their general partners being corporations subsisting under the *Business Corporations Act* (Alberta). All of the other subsidiaries are corporations subsisting under the *Business Corporations Act* (Alberta).

- Its interest in the "Nuna Group of Companies", which consists of various ownership interests in the following corporations, with its ownership and voting interests being as indicated below:

  - Nuna East Ltd. (37.25%)
  - Nuna West Mining Ltd. (49%)
  - Nuna Pang Contracting Ltd. (37.25%)
  - 1229181 B.C. Ltd. (49%)

The company 1229181 B.C. Ltd. and its wholly owned subsidiary, 1229184 B.C. Ltd., are the sole voting and participating partners of the Nuna Logistics Partnership. Nuna East Ltd., Nuna West Mining Ltd. and Nuna Pang Contracting Ltd. are corporations subsisting under the Canada Business Corporations Act. 1229181 B.C. Ltd. and 1229184 B.C. Ltd. are corporations subsisting under the Business Corporations Act (British Columbia).

- Its interest in the Mikisew North American Limited Partnership (operated by its general partner 2109830 Alberta Ltd.). The Company has a 49% ownership and voting interest in both Mikisew North American Limited Partnership, a limited partnership established under the Alberta *Partnership Act,* and its general partner, a corporation 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, 2020.

C. OUR BUSINESS

General Development of the Business

2021

On February 2, 2021, we announced the release of our inaugural 2021 Sustainability Report. This report provides the structured framework for environmental, social and governance initiatives moving forward. Future reports will be issued around this time each year and will allow stakeholders to measure progress in a variety of business areas and community programs with increasing rigor and metrics.

In mid-February and effective January 1, 2021, Barry W. Palmer was appointed to the role of Chief Operating Officer. Mr. Palmer brings over 30 years of experience in the heavy construction and mining sectors and has held several key positions within the Company. He has extensive expertise in providing oversight and valuable technical support and has been a vital contributor to our operational excellence and efficiency. Mr. Palmer has strong management and leadership skills and brings a high degree of consistent accountability with a proven track record to back it up.

2020

For the sixth consecutive year, our Total Recordable Incident Rate ("TRIR") in 2020 for the Company was below 0.50, which is considered the industry benchmark for safety excellence.

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 business. 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 took place in June 2020. This long-term agreement builds on our mine management services offering as did the similar five-year management services agreement of a coal mine in Wyoming, USA which was signed in June 2019.

On October 22, 2020, we announced the award of a major earthworks construction contract at a gold mining project in Northern Ontario. The contract was awarded to a newly formed joint venture owned and operated equally by NACG and Nuna Group of Companies. The two-year project is valued at over $250 million and will occur during the construction phase of the gold mine project. Our work is scheduled to ramp up through Q1 2021, achieve peak volumes in Q3 2021 and be completed in the fall of 2022.

Impact of and Response to COVID-19

The global COVID-19 pandemic has had a material and noticeable impact on our operations. Mine and work sites throughout North America have tightened site access and have made decisions based on their specific and unique circumstances. We provide essential services to these sites and, where allowed, have been able to carry-on operations through the adoption of enhanced safety and health monitoring protocols.

We took swift and aggressive measures at the outset of the pandemic to protect our employees, customers and our Company. We implemented several cost reduction measures to reduce our variable and fixed costs, including but not limited to, immediate suspension of production-related spending on impacted mine sites, minimized use of vendor provided maintenance, a reduced work week schedule for administrative staff, a complete halt of all discretionary spending and termination of services deemed non-essential in light of the pandemic. We also reduced sustaining capital maintenance costs by implementing a reduced capital plan for the remainder of the year. We have been able to ease certain of these measures somewhat as the management of pandemic impacts has stabilized to a degree.

Liquidity is critical during times of uncertainty and cash conservation is a key priority for management in weathering the pandemic. Including equipment financing availability, total available capital liquidity of $177.4 million includes total liquidity of $148.0 million as at December 31, 2020 and is primarily based on the borrowing capacity of $325.0 million under our Credit Facility. For comprehensive discussion on liquidity, see the "Liquidity and Capital Resources" section of our annual MD&A.

Financing and Capital Allocation

On March 9, 2020, we announced our intention to commence a normal course issuer bid ("NCIB") to purchase up to 2,300,000 common shares for cancellation. This represented approximately 8.3% of the issued and outstanding common shares as of March 3, 2020. The NCIB commenced on March 12, 2020 and will terminate no later than March 11, 2021.

On April 6, 2020 we fully redeemed our 5.50% convertible debentures due March 31, 2024. The redemption was satisfied through issuance of 4,583,655 voting common shares and all accrued and unpaid interest up to, excluding the redemption date, was paid in cash.

On October 8, 2020 we entered into an amendment to our Amended and Restated Credit Agreement with a banking syndicate led by National Bank Financial Inc. that increased the revolving loan to $325.0 million with the ability to increase the maximum borrowings by an additional $25.0 million, subject to certain conditions. This facility matures on October 8, 2023, with an option to extend on an annual basis. The Credit Facility permits finance lease obligations to a limit of $150.0 million and certain other borrowings outstanding to a limit of $20.0 million.

Officer and Director Changes

On December 16, 2020 we announced the appointment of Joseph Lambert to the position of President and Chief Executive Officer and to the board of directors effective January 1, 2021. Concurrently with Mr. Lambert's appointment, Martin R. Ferron resigned from his position of Chief Executive Officer and assumed the role of Executive Chairman. Jay Thornton did not stand for re-election as a director at the annual general meeting of shareholders held on May 6, 2020.

2019

TRIR in 2019 for the Company was below 0.50, which is considered the industry benchmark for safety excellence.

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.

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. Interest is payable semi-annually on March 31 and September 30 of each year, commencing September 30, 2019.

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

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

TRIR in 2018 for the Company was below 0.50, which is considered the industry benchmark for safety excellence.

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 provided 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.

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 borrowings 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.

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.

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 remains the Canadian oil sands, where we provide construction and operations support services through all stages of the mine's lifecycle. We have extensive construction experience in both mining and heavy civil 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 2021 and 2024, 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 continues to operate at a steady state and expected life-of-mine projections at the major sites averages over 30 years of remaining life.

In addition to our construction services, we also provide heavy equipment maintenance, component remanufacturing 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 mining industry. 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.

We have a 49% ownership interest in the Nuna Group of Companies. Nuna’s revenue relates to 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 generally from June to September.

Fleet and Equipment

As of December 31, 2020, we directly operated a heavy equipment fleet of 626 units; 68% were owned, 28% were leased and 4% 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 approximately 270 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 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, 2020, 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	202	67
Articulating trucks	30 to 40 tons	305 - 406	5	24
Loaders	1.5 to 16 cubic yards	110 - 690	38	4
Shovels	18-80 cubic yards	1,300 - 3,760	6	2
Excavators	1 to 29 cubic yards	90 - 1,944	44	52
Dozers	20,741 lbs to 230,100 lbs	96 - 850	85	19
Graders	14 to 24 feet	150 - 500	24	6
Packers	14,175 to 68,796 lbs	216 - 315	4	—
Other heavy equipment			17	2
Total			**425**	**176**

Competitive Conditions

Much of our business is secured through the formal competitive bidding process. Our competitive environment and customer behavior have 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. Due to the impacts of the COVID-19 pandemic, competition for new projects is significant for project tenders, especially for those involving smaller and mid-sized fleets, with numerous bidders invited and participating.

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.

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 and heavy civil earthworks. We 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 participation 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. 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. This competitive 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, including repair parts;
- 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 Caterpillar powertrain components, Hydraulic cylinders for our Caterpillar mining equipment, fleet of Haul Trucks ranging in carrying capacity from 100 tonnes to 400 tonnes, and for Dozers D8T to D11T models.
- Hydraulic Repair and Design (over 10 years), our prime supplier of hydraulic cylinders and pumps for our Hitachi mining shovels and excavators;
- SRC of Lexington (3 years), our prime supplier of Caterpillar re-manufactured engines for our Caterpillar mining fleet of Haul Trucks ranging in carrying capacity from 100 tonnes to 240 tonnes, and for Dozers D10T and D11T models.
- Imperial Oil (over 15 years), our prime supplier of lubricants for our mining and mobile equipment fleets.

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 (Kal Tire) 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.

Seasonality

Oil sands mine support revenue 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. 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. 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. The exact timing of the winter freeze or spring thaw in any given year obviously affects the exact timing of this cyclical and counter-cyclical work cycle. For further discussion of the seasonality of our business, see our MD&A for the year ended December 31, 2020.

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, officer, director, representative and agent 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.

Employees and Labour Relations

As at December 31, 2020, we had 176 salaried employees (2019 - 186 salaried employees) and approximately 1,499 hourly employees (2019 - 1,738 hourly employees) in our western Canadian operations (excluding 273 active employees employed by the Nuna Group of Companies in 2020 and 331 in 2019). Of the hourly employees, approximately 86% of the employees are union members and work under collective bargaining agreements (December 31, 2019 - 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% to 10% 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 May 2021. Collective bargaining negotiations have commenced for renewal of the overburden agreement with a united goal, between contractors and the IUOE, to have a ratification vote by April 2021.

A collective agreement specific to work performed in our Acheson facilities between the IUOE and North American Maintenance Ltd. is in place until February 2023.

Our relationship with all our employees, both union and non-union, is strong and we have not experienced a union labour disruption since the inception of our collective agreements.

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 our website at www.nacg.ca. 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 12, 2021, there were 30,634,331 total voting common shares outstanding, which included 1,850,826 common shares held by the trust and classified as treasury shares on our consolidated balance sheets (31,011,831 common shares, including 1,845,201 common shares classified as treasury shares at December 31, 2020). We had no non-voting common shares outstanding on any of the foregoing dates. Additionally, as at December 31, 2020, there were an aggregate of 125,000 vested options outstanding under our Amended and Restated 2004 Share Option Plan which, in the event of exercise, would result in the issuance of 125,000 common voting shares.

Dividends

The Company's current 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. Dividends declared for each of the three most recently completed financial years are as follows:

	Date declared	Per share	Shareholders on record as of	Paid or payable to shareholders	Total paid or payable
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
Q1 2020	**February 18, 2020**	**$ 0.04**	**March 5, 2020**	**April 3, 2020**	**$ 1,023**
Q2 2020	**May 5, 2020**	**$ 0.04**	**May 29, 2020**	**July 3, 2020**	**$ 1,162**
Q3 2020	**July 28, 2020**	**$ 0.04**	**August 31, 2020**	**October 2, 2020**	**$ 1,156**
Q4 2020	**October 27, 2020**	**$ 0.04**	**November 30, 2020**	**January 8, 2021**	**$ 1,167**

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 2020:

	Toronto Stock Exchange			New York Stock Exchange		
Date	High ($)	Low ($)	Volume	High ($)	Low ($)	Volume
December 2020	**14.65**	**11.70**	**1,405,700**	**11.45**	**9.13**	**1,732,100**
November 2020	**13.67**	**10.17**	**2,262,200**	**10.54**	**7.69**	**1,365,600**
October 2020	**11.24**	**7.99**	**2,183,600**	**8.51**	**6.00**	**2,044,800**
September 2020	**9.57**	**8.62**	**1,386,200**	**7.23**	**6.45**	**1,429,900**
August 2020	**10.63**	**8.62**	**2,436,600**	**8.06**	**6.33**	**2,530,200**
July 2020	**8.83**	**7.55**	**1,571,900**	**6.51**	**5.58**	**1,345,700**
June 2020	**10.81**	**8.24**	**2,965,300**	**8.05**	**6.02**	**2,314,100**
May 2020	**9.11**	**6.30**	**2,706,100**	**6.63**	**4.48**	**2,663,300**
April 2020	**7.86**	**5.81**	**3,230,100**	**5.64**	**4.11**	**3,105,300**
March 2020	**12.43**	**6.51**	**8,917,600**	**9.25**	**4.61**	**6,119,100**
February 2020	**15.25**	**11.85**	**3,251,700**	**11.32**	**8.77**	**4,385,600**
January 2020	**15.99**	**14.27**	**1,589,400**	**12.32**	**10.76**	**2,142,700**

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 were redeemed in April 2020. 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 2020	**—**	**—**	**—**	**99.90**	**95.00**	**533,000**
November 2020	**—**	**—**	**—**	**99.99**	**92.00**	**1,816,000**
October 2020	**—**	**—**	**—**	**93.00**	**85.00**	**956,000**
September 2020	**—**	**—**	**—**	**95.00**	**87.70**	**351,000**
August 2020	**—**	**—**	**—**	**98.00**	**85.00**	**409,700**
July 2020	**—**	**—**	**—**	**92.00**	**85.50**	**345,000**
June 2020	**—**	**—**	**—**	**95.00**	**85.25**	**520,000**
May 2020	**—**	**—**	**—**	**87.00**	**75.00**	**1,455,000**
April 2020	**90.00**	**85.00**	**52,000**	**88.00**	**66.00**	**1,170,000**
March 2020	**107.50**	**72.01**	**14,191,000**	**99.25**	**61.01**	**1,197,000**
February 2020	**136.77**	**124.20**	**3,247,000**	**101.50**	**99.00**	**2,331,000**
January 2020	**145.00**	**140.48**	**1,999,000**	**105.00**	**100.50**	**826,000**

Debt Ratings

On March 10, 2020, S&P Global Ratings ("S&P") changed our company outlook from "positive" to "stable" and upgraded our long-term corporate credit rating to "B+" from "B". S&P changed the outlook to reflect the view that we generated strong cash flows and credit measures in 2019, demonstrating successful integration of the 2018 acquisitions.

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. 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 12, 2021, the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 2,846,366 common voting shares of the Company (representing approximately 9.3% of all issued and

outstanding common voting shares). Our board has determined that each director, other than Martin Ferron and Joseph Lambert, 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	Executive Chair of the Board	June 7, 2012
Joseph C. Lambert St. Albert, Alberta, Canada	President & Chief Executive Officer	January 1, 2021
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
Kristina E. Williams Edmonton, Alberta, Canada	Director	August 8, 2019

Martin R. Ferron is presently the Executive Chair of the Board and was, until December 31, 2020, the Chief Executive Officer of the Company. He originally joined the Company as President and Chief Executive Officer and as a Director of the Board on June 7, 2012. He was appointed Chairman of the Board on October 31, 2017. 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.

Joseph C. Lambert became Chief Executive Officer of the Company on January 1, 2021. He had previously been appointed 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.

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.

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.

Maryse C. Saint-Laurent is a corporate director and currently serves on the board of directors of Turquoise Hill Resources Ltd., the Alberta Securities Commission and the Alberta Prostate Cancer Centre. From 2012 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 TransCanada Corporation, TC PipeLines, LP and had prior experience in human resources management, labour relations and benefit administration.

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.

Kristina E. Williams is the President and CEO of Alberta Enterprise Corporation, which oversees a fund consisting of twenty venture capital investments with an underlying portfolio of over 200 technology companies. She also serves as the Swedish Honorary Consul for Northern Alberta and is also a member of the Board of Governors for Northern Alberta Institute of Technology (NAIT). Previously, she held the position as Vice President of Marketing and Sales for Natraceutical Canada Inc.

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	Executive Chair of the Board	January 1, 2021
Joseph C. Lambert St. Albert, Alberta, Canada	President and Chief Executive Officer	January 1, 2021
Jason W. Veenstra Edmonton, Alberta, Canada	Executive Vice President and Chief Financial Officer	September 10, 2018
Barry W. Palmer Morinville, Alberta, Canada	Chief Operating Officer	January 1, 2021
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

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 Chief Operating Officer on January 1, 2021. 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, Vice-President, Heavy Construction and Mining Operations; and Senior Vice President, 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.

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.

F. 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 Chair.

Mr. Pinney is a chartered accountant and chartered business valuator, with extensive experience in auditing financial statements, assessing internal controls and providing financial advice. He was a partner with Deloitte LLP 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. During his tenure with Deloitte he was quality control review partner for integrated audits on SEC registrants and Canadian publicly traded entities and was an equity partner responsible for signing audit opinions between 1986 and 2015. Further, from 2007 through 2010, he was the National Managing Partner for the audit and assurance practice for Deloitte LLP. Prior to joining Deloitte as a partner, 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.

Mr. McIntosh has served on the audit committees of several public and non-public companies. The various senior executive roles he has held through his career have involved evaluation, analysis and interpretation of financial statements and understanding the accounting principles underlying their preparation as well as the general application of accounting principles to the preparation of estimates and accruals. His executive roles have also required an understanding of internal controls and procedures for financial reporting.

Mr. Pollesel worked in a public accounting firm early in his career and has held various senior executive finance positions with public and non-public companies throughout his career, including the position of Chief Financial Officer for Compania Minera Antamina in Peru, one of the largest copper/zinc mining and milling operations in the world. He currently sits on the audit committees for Noront Resources Ltd. and First Cobalt Corporation which are Canadian publicly listed companies. He holds an Honours BA in Accounting and an MBA from the University of Waterloo and Laurentian University, respectively. He is a Chartered Professional Accountant and a Fellow of CPA Ontario.

Ms. 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. In that role, she oversees the finance and accounting functions of the Corporation. She also oversees the audit results and evaluation of the fund financial statements. Ms. Williams currently is the Chair of the Audit and Finance committee of the Northern Alberta Institute of Technology. She holds a Masters of Business Administration from the University of Alberta.

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 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, with the Chair of the Committee, on behalf of the Committee, having authority to pre-approve any non-audit services and the related engagement fees up to an amount of $20,000 per engagement provided that such pre-approval is reported to the Committee at its next meeting. The Audit Committee pre-approved all audit and non-audit related services provided by KPMG LLP in 2020. The fees we have paid to KPMG for services rendered by them include:

- Audit Fees – We incurred $939 and $807 for audit fees from KPMG during the years ended December 31, 2020 and 2019, 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 $nil for audit related fees from KPMG during the years ended December 31, 2020 and 2019, respectively.
- Tax Fees - We incurred $68 and $nil for income tax advisory and compliance services fees during the years ended December 31, 2020 and 2019, respectively.
- Other Fees - No other fees were incurred for the years ended December 31, 2020 and 2019, respectively.

Human Resources and Compensation Committee

The Human Resources and Compensation Committee is responsible for: (a) reviewing and recommending to the Board for approval the Company’s compensation philosophy, policies and guiding principles; (b) assessing whether the Company’s performance indicators and the variable and long-term incentive plans are consistent with Company business strategy and, where appropriate, recommending to the Board any proposed changes thereto; (c) reviewing the Company’s high level functional and organizational structure and where appropriate recommending to the Board any material changes thereto; (d) reviewing, assessing and approving where appropriate those persons recommended by the CEO for appointment to Executive Management or as a corporate officer of the Company; (e) reviewing and making recommendations to the Board with respect to the approval of all agreements dealing with employment, termination, retirement or other special circumstance between the Company and the CEO; (f)

reviewing and approving all agreements dealing with employment, termination, retirement or other special circumstance between the Company and any member of Executive Management other than the CEO; (g) reviewing the CEO's performance evaluations of the other members of Executive Management; (h) reviewing and making recommendations to the Board with respect to the approval of the succession plan for the CEO; (i) reviewing and approving the succession plans for Executive Management other than the CEO on an annual basis; (j) reviewing and recommending to the Board for approval the corporate goals and objectives relevant to the compensation of the CEO and evaluating the CEO's performance in light of such goals and objectives; (k) reviewing and approving the adequacy and form of compensation for Executive Management other than the CEO; (l) reviewing and approving the compensation of individual members of Executive Management other than the CEO; (m) reviewing and recommending to the Board for approval the Executive share ownership requirements, amendments thereof and any changes to the mechanisms to achieve such requirements; (n) reviewing and recommending to the Board for approval the implementation of, eligibility under, grants under, or any proposed changes to the Company's security-based compensation plans or other long-term incentive plans; (o) reviewing and recommending to the Board for approval the director compensation including annual retainers, any variable compensation and any additional retainers paid to the Chair of the Board, the Lead Director and to the Chairs of the committees of the Board, as applicable, as well as any directors' equity program; and (p) reviewing and approving other compensation proposals, incentive or bonus plans applicable to the Company's full-time employees broadly.

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 Mr. Stan serving as Chair.

Operations Committee

The Operations Committee is responsible for: (a) reviewing and evaluating with management the existing health, safety and environment policies of the Company for conformity with industry standards and best practices; (b) confirming that the Company has in place and maintains systems to effectively manage the material health, safety and environmental aspects of the business; (c) confirming that the Company has in place systems to identify risks to health, safety and the environment from the Company's operations and manage their consequential risks to the Company, its directors, officers and employees; (d) confirming, through internal and external audits, that appropriate health, safety and environmental policies, standards, processes, programs, practices and procedures are in place, understood and being adhered to, for the purposes of enabling the Company to comply with applicable laws, regulations, recognized industry practice and permits; (e) reviewing the findings of all health, safety and environmental audits performed on the Company's facilities and operations, supervise and monitor the progress of actions taken or to be taken to remedy any deficiencies or outstanding issues identified therein; (f) confirming and reporting to the Board any changes to applicable health, safety and environmental laws, regulations or voluntary programs substantially impacting the Company's business; (g) researching, monitoring and reporting to the Board trends and current and emerging public policy issues in matters of health, safety and environment as they may impact or require change of the Company's operations; (h) reviewing the adequacy of the Company's environmental and Workers' Compensation Board insurance coverage at least annually; (i) reviewing annually the Company's safety results against industry standards and peers; (j) receiving management presentations and other information to understand the significant business risks to which the Company is exposed; (k) reviewing with management and approving the Company's non-financial risk policies and the procedures developed and implemented to measure non-financial risk exposures and for identifying, evaluating and managing significant business risks; (l) regularly monitoring the Company's risk management performance and obtaining reasonable assurance that the risk management policies and procedures for significant non-financial risks are being adhered to; (m) approving delegation of risk limits to management and approving any transactions exceeding those delegated authorities; (n) reviewing reports on management's approach for safeguarding corporate assets; security practices and procedures; business continuity plans, including work stoppage and disaster recovery; environmental risk management activities and results; risk mitigation plans and employee health and safety programs and results; (o) working with management and the Board to assess, establish and monitor the appropriate 'risk appetite' for the Company; (p) considering and providing advice to the Board, when appropriate, on the risk impact of any strategic decision that the Board may be contemplating, including considering whether any strategic decision is within the 'risk appetite' established for the Company and its individual business units; (q) reviewing and approving tender bids and contracts that are greater than $50 million in expected revenue; (r) forwarding to the Board for ratification any tender

bids or contracts that, in their view, required full Board approval taking into account the length of the contract, the total dollar amount and any other risk factors that would warrant such approval; (s) reviewing and approving any other matter in the Delegation of Authority Guideline which is above the approval limit of the CEO; (t) reviewing and monitoring the Company's loss prevention policies and reviewing the adequacy of insurance coverage (excluding corporate liability protection programs for directors and officers, which are the responsibility of the Governance and Sustainability Committee); and (u) reviewing with management the annual insurance report including the Company's risk retention philosophy and resulting uninsured exposure.

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 and Sustainability Committee

The Governance and Sustainability Committee is responsible for: (a) establishing an appropriate system of corporate governance including practices designed to permit the Board to function independently of management; (b) establishing written terms of reference for directors that describe and communicate performance expectations of a director; (c) reviewing the charters of committees of the Board, including the limits of authority to be delegated to each committee, and recommending any amendments to such charters to the Board for approval; (d) reviewing and monitoring the Company's corporate liability protection programs for directors and officers; (e) reviewing and recommending to the Board for approval the Company's public disclosure relating to governance; (f) assessing the skills and competencies required for members of the Board and its committees and recommending selection criteria for new directors; (g) identifying candidates for new directors using the selection criteria of the skills and competency assessment, the Board and Senior Management Diversity Policy, as well as a candidate's education, business, governmental and civic experience, communication and interpersonal skills and any other matters that are relevant to the Board's objectives; (h) retaining and terminating any search firm to be used to identify director candidates and approving the search firm's fees and other retention terms; (i) recommending to the Board candidates for nomination for election by the shareholders at each annual meeting and recommending to the Board candidates to fill vacancies that occur between annual meetings; (j) recommending to the Board the removal of a director in extraordinary circumstances; (k) recommending to the Board the composition of Board committees; (l) reviewing annually the Company's Board and Senior Management Diversity Policy, including targets where applicable, and taking into consideration the succession needs of the Board and senior management; (m) reviewing and making recommendations to the Board relating to requests for outside directorships of the senior officers of the Company; (n) reviewing the Company's policies regarding sponsorship, donations and political contributions; (o) receiving reports from the Company's General Counsel confirming that all reasonable steps have been taken to ensure that the Board and its committees comply with all legislative and regulatory requirements relating to the structure of the Board and its committees; (p) establishing appropriate processes for the annual assessment of the effectiveness of the Board as a whole, each committee of the Board and individual directors; (q) developing orientation and ongoing education plans for the directors; (r) reviewing guidelines and practices relating to environmental protection, including the mitigation of pollution and climate change; (s) considering whether the Company's policies and practices relating to the environment, climate change, greenhouse gases and other pollutants are being effectively implemented; (t) reviewing reports from management on public policy proposals, laws or regulations relating to environment, health and safety and discussing with management the potential impact and application of such policies on the Company, including reputational risks and, if applicable, together with the Audit Committee, financial risks; (u) reviewing annually the Company's policies and processes adopted in support of conducting the Company's business towards meeting high standards of ethics, and social and environmental responsibility, including periodic review of the adequacy and appropriateness of the Code of Conduct and Ethics Policy and management's implementation of the same and making any recommendations to the Board in that regard; (v) together with the Audit Committee, reviewing and recommending to the Board for approval the Company's public disclosure relating to sustainability; (w) together with the Operations and Audit Committees, reviewing the Company's operational and capital plans and programs with respect to environmental impacts which pose a high risk to the Company, along with potential opportunities and mitigation; (x) reviewing and recommending to the Board for approval, the need for disclosure of any information and reports concerning the Company's environmental, social and governance practices, as required by regulatory authorities or industry best practices; (y) reviewing the results of annual shareholder votes related to election of directors and recommending to the Board

whether any actions are advisable in response to the same; and (z) reviewing the Company's policies and practices relating to the retention of records to ensure the same meet legal requirements, best practices and are being effectively implemented.

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.

G. 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 expectations regarding timing of work in relation to the major earthworks construction contract at a gold mining project in Northern Ontario;
2. Our anticipation that we will be able to renew or renegotiate our master service agreements and multiple use agreements with major producers as they expire;
3. Our intention to grow the heavy equipment maintenance portion of our business over the next few years;
4. Our anticipation that we will not experience any tire shortages in the foreseeable future;
5. Our expectations that the seasonality of oil sands mine support revenues and non-oil sands mine support revenues will continue respectively as they have in the past;
6. Our expectations of labour stability; and
7. Our anticipation that our dividend policy will not change in the foreseeable future.

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.
- ***Unit-price Contracts.*** Approximately 47%, 52% and 62% of our revenue for the years ended December 31, 2020, 2019 and 2018, respectively, was derived from unit-price contracts and, to a lesser degree, lump-sum contracts. 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;
    - unfavorable 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 these 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 unit-price contracts, or when we incur unrecoverable cost overruns, the related projects may result in lower margins than anticipated or may incur losses, which could adversely affect our results of operations, financial condition and cash flow.
- ***Customer Concentration.*** Most of our revenue comes from the provision of services to a small number of major oil sands mining companies. Revenue from our four largest customers represented approximately 96% and 95% of our total revenue for the years ended December 31, 2020 and 2019, 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. Certain of our long-term contracts can allow our customers to unilaterally reduce or eliminate the work that we are to perform under the contract. Additionally, certain contracts allow the customer to terminate the contract without cause 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.
- ***Cashflow, Liquidity and Debt.*** As of December 31, 2020 we had $429.5 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.

- ***Large Projects and Joint Ventures***. A portion of our revenue is derived from large projects, some of which are conducted through joint ventures. These projects provide opportunities for significant revenue and profit contributions but, by their nature, carry significant risk and, as such, can result in significant losses. The risks associated with such large-scale projects are often proportionate to their size and complexity, thereby placing a premium on risk assessment and project execution. The contract price on large projects is based on cost estimates using several assumptions. Given the size of these projects, if assumptions prove incorrect, whether due to faulty estimates, unanticipated circumstances, or a failure to properly assess risk, profit may be materially lower than anticipated or, in a worst-case scenario, result in a significant loss. The recording of the results of large project contracts can distort revenues and earnings on both a quarterly and an annual basis and can, in some cases, make it difficult to compare the financial results between reporting periods. Joint ventures are often formed to undertake a specific project, jointly controlled by the partners, and are dissolved upon completion of the project. We select our joint venture partners based on a variety of criteria including relevant expertise, past working relationships, as well as analysis of prospective partners' financial and construction capabilities. Joint venture agreements spread risk between the partners and they generally state that companies will supply their proportionate share of operating funds and share profits and losses in accordance with specified percentages. Nevertheless, each participant in a joint venture is usually liable to the client for completion of the entire project in the event of a default by any of its partners. Therefore, in the event that a joint venture partner fails to perform its obligations due to financial or other difficulties or is disallowed from performing or is otherwise unable to perform its obligations as a result of the client's determination, whether pursuant to the relevant contract or because of modifications to government or agency procurement policies or rules or for any other reason, we may be required to make additional investments or provide additional services which may reduce or eliminate profit, or even subject us to significant losses with respect to the joint venture. As a result of the complexity and size of such projects that we undertake or are likely to undertake going forward, the failure of a joint venture partner on a large complex project could have a significant impact on our results.
- ***Labour Disputes.*** The majority 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 order to minimize this risk, NACG has no strike and no lockout provision in our collective agreements. 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.
- ***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.

- ***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.
- ***Foreign Exchange.*** We regularly transact in foreign currencies when purchasing equipment and spare parts as well as certain general and administrative goods and services. As such, we are exposed to the risk of fluctuations in foreign exchange rates. These exposures are generally of a short-term nature and the impact of changes in exchange rates has not been significant in the past. We may fix our exposure in either the Canadian dollar or the US dollar for these short-term transactions, if material.
- ***Internal Controls.*** Ineffective internal controls over financial reporting could result in an increased risk of material misstatements in our financial reporting and public disclosure record. Inadequate controls could also result in system downtime, give rise to litigation or regulatory investigation, fraud or the inability to continue our business as presently constituted. We have designed and implemented a system of internal controls and a variety of policies and procedures to provide reasonable assurance that material misstatements in the financial reporting and public disclosures are prevented and detected on a timely basis and that other business risks are mitigated. See the section entitled “Internal Systems and Processes” in our MD&A for further details.
- ***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.
- ***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 $nil 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.

- ***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 material cyber security breach that has had a serious 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 significant 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.
- ***Shifting Customer Priorities Related to Climate Change***. Climate change continues to attract considerable public and regulatory attention, with greenhouse gas emission regulations becoming more commonplace and stringent. The transition to a lower-carbon economy has the potential to be disruptive to traditional business models and investment strategies. 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. Other government restrictions on certain market sectors could also adversely impact current or potential clients resulting in a reduction of available work. Our clients may also alter their long-term plans due to government regulation, changes in policies of investors or lenders or simply due to changes in public perception of their business. This risk can be mitigated to an extent by identifying changing market demands to offset lower demand for some services with opportunities in others, forming strategic partnerships and pursuing sustainable innovations.
- ***Climate Change Related Financial Risks***. As new climate change measures are introduced or strengthened our cost of business may increase as we incur expenses related to complying with environmental regulations and policies. 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. We may also incur costs related to monitoring regulatory trends and implementing adequate compliance processes. Our inability to comply with

climate change laws and regulations could result in penalties or reputational damage that may impair our prospects.

- ***Climate Change Related Reputational Risks*** . Investors and other stakeholders worldwide are becoming more attuned to climate change action and sustainability matters, including the efforts made by issuers to reduce their carbon footprint. Our reputation may be harmed if it is not perceived by our stakeholders to be sincere in our sustainability commitment and our long-term results may be impacted as a result. In addition, our approach to climate change issues may increasingly influence stakeholders' views of the company in relation to its peers and their investment decisions.
- ***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. If the frequency or severity of such events rises in the future as a result of climate change, our risk and potential impacts will also rise.
- ***Risk Factors Related to COVID-19.*** While markets and economies have somewhat stabilized as governments and industry have implemented measures to mitigate the impacts of the pandemic, the situation continues to evolve. Should the pandemic worsen, we could be subject to additional or continued adverse impacts, including, but not limited to restrictions or limitations on the ability of our employees, contractors, suppliers and customers to conduct business due to quarantines, closures or travel restrictions, including the potential for deferral or cessation of ongoing or planned projects. The ultimate duration and magnitude of the pandemic and its financial effect on us is not known at this time. We are continuously monitoring the situation, however, and working with our customers and suppliers to mitigate its effects.

As required by US GAAP, we review our long-lived assets, including property, plant and equipment and identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We detected impairment indicators at March 31, 2020, as a result of the recent uncertainty in the economic environment, relating to the suppression of commodity prices combined with the impact of the COVID-19 pandemic. We completed an impairment test comparing the net carrying value of our long-lived assets to the estimated undiscounted net cash flows to be generated from use of those assets and concluded that they are recoverable and, as such, no impairment was recorded. At December 31, 2020, there were no indicators, as there had been no material declines in the operating environment or expected financial results as compared to March 31, 2020.

H. GENERAL MATTERS

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.

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.

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.

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, 2020, 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.

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 2020, the Company received, with respect to the Mine: (a) 28 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 2020 was $7,842 US. There were no fatalities at the Mine in 2020. 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.

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 Texas Inc. has since June 21, 2020, been the operator of a coal mine located in Texas as the San Miguel Mine (the"Mine"). During the period of the Company's operation of the Mine in 2020, the Company received, with respect to the Mine: (a) 7 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. One citation was initially written as a Significant and Substantial (S&S) citation. This has been adjusted by the MSHA inspector to a non S&S; however, it is still listed under MSHA as significant and substantial citation. The Citation and Assessment Office in MSHA acknowledge the citation was changed and we are not being held accountable for not paying the citation within the time frame required. The total value of proposed assessments from the MSHA relating to violations under the Act in relation to the Mine in 2020 was $1,656.00 US. This will decrease to $861.00 US after MSHA adjusts the severity of the Significant and Substantial citations. There were no fatalities at the Mine in 2020. 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. The mine received one significant and substantial citation; however, it has been reviewed and adjusted by the MSHA inspector to a non-significant and substantial citation. There is no pending legal action before the federal Mine Safety and Health Review Commission involving the Mine.

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 AND QUALIFICATION

3.1. The Committee will consist of at least three and not more than six directors of the Company. The Board will appoint the Committee and its Chair from time to time, upon recommendation of the Governance Committee, with members to hold office until their successors are appointed or until they cease to be directors of the Company.

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 without prior approval of the Governance Committee.

3.6. Determinations as to whether a particular director meets the requirements for membership on the Committee will be made by the Board upon recommendation of the Governance Committee.

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 kept with the records of the Company.

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 (ex. quarterly and annual financial statements, Forms 6-K, 40-F and F-4) including all exhibits thereto and required certifications 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, investor presentations or other documents to be made publicly available that contain 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 Governance Committee 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.

NORTH AMERICAN
CONSTRUCTION GROUP

EVERYONE GETS HOME SAFE



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2020

Table of Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overall Performance	M-1
Financial Highlights	M-4
Liquidity and Capital Resources	M-10
Outlook	M-19
Accounting Estimates, Pronouncements and Measures	M-20
Internal Systems and Processes	M-24
Forward-Looking Information	M-24
Additional Information	M-31

Management's Discussion and Analysis

For the year ended December 31, 2020

February 17, 2021

The following Management's Discussion and Analysis ("MD&A") is as of December 31, 2020 and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2020 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.

A non-GAAP financial measure is generally defined by the securities 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. Non-GAAP financial measures do not have standardized meanings under GAAP and therefore may not be comparable to similar measures presented by other issuers. In our MD&A, we use non-GAAP financial measures such as "adjusted EPS", "adjusted net earnings", "adjusted EBIT", "adjusted EBITDA", "backlog", "capital additions", "capital expenditures, net", "capital inventory", "capital work in progress", "cash provided by operating activities prior to change in working capital", "equity investment depreciation and amortization", "equity investment EBIT", "free cash flow", "gross profit", "growth capital", "invested capital", "margin", "net debt", "senior debt", "sustaining capital" and "total debt". We provide tables in this document that reconcile non-GAAP measures used to amounts reported on the face of the consolidated financial statements. A summary of our non-GAAP measures is included below under the heading "Non-GAAP Financial Measures".

OVERALL PERFORMANCE

Annual MD&A - highlights

(Expressed in thousands of Canadian Dollars, except per share amounts)	Year ended December 31,		
	2020	2019	Change
Revenue	**$ 500,374**	$ 719,067	$ (218,693)
Gross profit[i]	**94,382**	96,412	(2,030)
Gross profit margin[i]	**18.9 %**	13.4 %	5.5 %
Operating income	**68,945**	58,834	10,111
Adjusted EBITDA[i][ii]	**175,450**	174,229	1,221
Adjusted EBITDA margin[i]	**35.1 %**	24.2 %	10.9 %
Net income and comprehensive income available to shareholders	**49,208**	36,878	12,330
Adjusted net earnings[i]	**48,822**	43,724	5,098
Cash provided by operating activities	**147,272**	157,944	(10,672)
Cash provided by operating activities prior to change in working capital[i]	**150,084**	149,425	659
Free cash flow[i]	**43,482**	25,592	17,890
Purchase of PPE	**117,300**	157,026	(39,726)
Sustaining capital additions[i]	**98,752**	124,766	(26,014)
Growth capital additions[i]	**37,665**	45,803	(8,138)
Basic net income per share	**$ 1.75**	$ 1.45	$ 0.30
Adjusted EPS[i]	**$ 1.73**	$ 1.72	$ 0.01

[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 Nuna Logistics Partnership (the "NL Partnership", part of the Nuna Group of Companies). 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 $0.2 million in 2019.

Revenue of $500.4 million represents a $218.7 million (or 30%) year-over-year decrease reflecting the far reaching impact of the COVID-19 pandemic. Risk mitigation measures put in place by our customers to limit the spread of COVID-19 temporarily decreased demand of our equipment and several large projects were delayed during the year as they were deemed non-essential. The suspension of activity at the Fort Hills Mine caused a reduction in overall revenue due to the time required to demobilize and mobilize the fleet during Q1 and Q2 2020.

Our change from proportionate consolidation to equity accounting for the Nuna Group of Companies ("Nuna") also affected year-over-year revenue, as the prior year included ten months of proportionately consolidated Nuna revenue of $37.0 million. While no longer reported in revenue, Nuna achieved strong performance during the year as our share of their 2020 revenue included in equity earnings of $59.9 million was generally consistent with the original pre-pandemic expectation and prior year revenue of $61.7 million

Gross profit was $94.4 million, or 18.9% of revenue, down from $96.4 million but up from 13.4% of revenue in the previous year. The decrease in gross profit was primarily driven by the volume reduction in site activity due to the COVID-19 pandemic. Partially offsetting these decreases was gross profit earned from the operations support contracts at coal mines in Texas and Wyoming. The improvement in margin was impacted by the strong margins achieved in Q1 2020 from the favorable operating conditions at our mine sites and the disciplined cost constraints in place during the pandemic to minimize the impacts of the fluctuations in equipment demand. Despite these fluctuations in equipment demand, we returned to a more normalized level of equipment maintenance in 2020 as 2019 was heavily impacted by deferred maintenance required for the fleet purchased in Q4 2018. Offsetting these improvements was the impact of accounting for Nuna which helped reported gross margins in 2019 but are reported in equity earnings in 2020.

Included in the gross profit margin for the year was depreciation of $89.0 million, or 17.8% of revenue, which is a decrease from our prior year expense of $101.6 million but an increase from our prior year rate of 14.1%. The depreciation percentage is higher than our historical run rate primarily due to the higher proportion of larger, or ultra-class, equipment operated when compared to a typical annual period. Straight-line depreciation on certain fixed assets during the low revenue quarters also contributed to the percentage increase. And lastly, operational inefficiencies caused by poor haul road conditions, particularly in Q3 2020, resulted in increased equipment hours which in turn translated into higher depreciation.

General and administrative expenses (excluding stock based compensation) were $22.2 million, or 4.4% of revenue, compared to $27.5 million, or 3.8% of revenue. The increase as a percentage reflects the reduction in year-over-year revenue. Year-over-year gross costs were reduced primarily based on the complete halt of all discretionary and non-essential spending.

Our annual 2020 net income includes $28.2 million of salary and wage subsidies presented as reductions in project costs, equipment costs and general and administrative expenses of $16.2 million, $9.1 million and $2.9 million respectively. These amounts were received under the Canada Emergency Wage Subsidy ("CEWS") program which reimbursed us for a portion of wages paid to employees.

Despite the challenges of operating during a global pandemic, adjusted EBITDA of $175.5 million is generally consistent with the prior year result of $174.2 million illustrating the ability to react quickly and implement cost discipline to limit indirect project costs and general and administrative spending.

Net interest expense was $18.7 million for the year including approximately $1.3 million of non-cash interest. Our average cash cost of debt for the year was 3.9% and was primarily driven by the rates paid on our Credit Facility as well as the competitive interest rates related to secured equipment financing.

Adjusted EPS of $1.73 on adjusted net earnings of $48.8 million includes income tax expense and is consistent with the 2019 comparatives of $1.72 and $47.3 million, respectively. The redemption of the convertible debentures in April 2020 effectively reduced adjusted EPS by $0.18 when considering the impact to weighted-average number of common shares offset by the lower interest expense. The impact of this issuance was partially offset by the purchase and subsequent cancellation of 1,223,097 shares under a Normal Course Issuer Bid ("NCIB") during the year.

Free cash flow of $43.5 million is the culmination of adjusted EBITDA of $175.5 million, mentioned above, less sustaining capital additions of $98.8 million and cash interest paid during the year of $18.5 million. The remaining difference relates to the timing impacts of capital work in process, capital inventory and working capital balances which had a negative impact on free cash flow in 2020 as we continue to build our maintenance and component rebuild capabilities. The sustaining capital program for 2020 was unprecedented in nature as conditions in late Q1 required quick, self-imposed and significant restraints to be put in place but, in contrast, mid-Q3 required quick ramp-up to full capacity to meet the requirements of the recovering equipment demand.

Impact of and Response to COVID-19

The global COVID-19 pandemic has had a material and noticeable impact on our operations. Since mid-March we have responded with aggressive measures to protect our employees, customers and our Company. Mine and work sites throughout North America have tightened site access and have made decisions based on their specific and unique circumstances. We provide essential services to these sites and, where allowed, have been able to carry-on operations through the adoption of enhanced safety and health monitoring protocols.

The safety of our employees is paramount. In the annual letter to shareholders, we proudly stated that our safety performance is the true foundation of our operational excellence. We have always believed that every employee is entitled to a safe workplace. Our operations were guided by strict safety policies putting worker health and safety first prior to this outbreak. That legacy commitment to safety is being challenged in new and unexpected ways. We rose to this challenge and quickly implemented procedures and practices to keep our employees safe. These actions not only keep our employees safe, but also their families and friends, as well as our broader provincial, national and global communities.

In support of our customers, we are taking the necessary steps to manage our mostly variable but also fixed operating costs. Several cost reduction measures have been implemented including but not limited to: the immediate suspension of production-related spending on impacted mine sites; minimized use of vendor provided maintenance; a reduced work week schedule for administrative staff; a complete halt of all discretionary spending; and termination of services deemed non-essential in light of the pandemic.

Liquidity is critical during times of uncertainty and cash conservation is a key priority for management in weathering the pandemic. Including equipment financing availability, total available capital liquidity of $177.4 million includes total liquidity of $148.0 million as at December 31, 2020 and is primarily based on the borrowing capacity of $325.0 million under our Credit Facility.

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)	**2020**	**2019**	**2018**	**2017**	**2016**
Operating Data[i]					
Revenue	**$ 500,374**	$ 719,067	$ 410,061	$ 292,557	$ 213,180
Gross profit[ii]	**94,382**	96,412	69,076	39,647	32,343
Gross profit margin[ii]	**18.9 %**	13.4 %	16.8 %	13.6 %	15.2 %
Operating income	**68,945**	58,834	29,980	13,407	3,923
Adjusted EBIT[ii][iii]	**81,489**	71,021	43,072	17,429	10,830
Adjusted EBITDA[ii][iii]	**175,450**	174,229	101,834	63,082	53,312
Adjusted EBITDA margin[ii]	**35.1 %**	24.2 %	24.8 %	21.6 %	25.0 %
Net income (loss) and comprehensive income (loss) available to shareholders	**49,208**	36,878	15,286	5,264	(455)
Adjusted net earnings[ii]	**48,822**	43,724	24,853	8,197	3,599
Per share information					
Basic net income per share	**$ 1.75**	$ 1.45	$ 0.61	$ 0.20	$ (0.01)
Diluted net income per share	**$ 1.60**	$ 1.23	$ 0.54	$ 0.18	$ (0.01)
Adjusted EPS[ii]	**$ 1.73**	$ 1.72	$ 0.99	$ 0.31	$ 0.12
Balance Sheet Data					
Total assets	**$ 838,928**	$ 792,652	$ 689,800	$ 383,644	$ 350,081
Current portion of financial lease obligations and long-term debt	**43,202**	47,720	62,246	29,136	32,308
Non-current portion of financial lease obligations and long-term debt	**386,320**	364,411	322,053	109,833	68,664
Total debt	**429,522**	412,131	384,299	138,969	100,972
Cash	**(43,915)**	(5,544)	(19,508)	(8,186)	(13,666)
Net debt[i][ii]	**385,607**	406,587	364,791	130,783	87,306
Total shareholders' equity	**248,443**	180,119	149,721	145,924	158,954
Invested capital[ii]	**$ 634,050**	$ 586,706	$ 514,512	$ 276,707	$246,260
Outstanding common shares, excluding treasury shares	**29,166,630**	25,777,445	25,004,205	25,452,224	28,305,660
Cash dividend declared per share	**0.16**	0.12	0.08	0.08	0.08

[i] The 2019 and 2018 data includes proportionately consolidated amounts of affiliates and joint ventures.
[ii] See "Non-GAAP Financial Measures"
[iii] Effective November 1, 2019, we changed the calculation of adjusted EBIT and adjusted EBITDA due to the reorganization of the NL Partnership. Adjusted EBIT and adjusted EBITDA calculations prior to the effective date have not been changed in the above table. Applying this change to previously reported periods would result in respective increases in adjusted EBIT and adjusted EBITDA of $0.9 million and $0.2 million in 2019, $0.1 million and $0.1 million in 2018. This change had no impact for the periods ended 2017 and 2016.

Summary of net income for the three months and year ended 2020

	Three months ended December 31,		Year ended December 31,	
(dollars in thousands, except per share amounts)	**2020**	2019	**2020**	2019
Revenue	**$ 136,771**	$ 189,455	**$ 500,374**	$ 719,067
Project costs	**39,419**	66,091	**139,452**	277,646
Equipment costs	**47,809**	69,960	**177,532**	243,427
Depreciation	**26,273**	28,327	**89,008**	101,582
Gross profit[(i)]	**$ 23,270**	$ 25,077	**$ 94,382**	$ 96,412
Gross profit margin[(i)]	**17.0 %**	13.2 %	**18.9 %**	13.4 %
General and administrative expenses (excluding stock-based compensation)	**6,264**	7,656	**22,158**	27,455
Stock-based compensation expense	**4,839**	1,754	**1,944**	9,443
Operating income	**11,987**	15,332	**68,945**	58,834
Interest expense, net	**4,441**	5,498	**18,681**	21,623
Net income and comprehensive income available to shareholders	**$ 10,044**	$ 8,242	**$ 49,208**	$ 36,878
Adjusted EBITDA[(i)(ii)]	**$ 46,243**	$ 47,789	**$ 175,450**	$ 174,229
Adjusted EBITDA margin[(i)]	**33.8 %**	25.2 %	**35.1 %**	24.2 %
Per share information				
Basic net income per share	**$ 0.34**	$ 0.32	**$ 1.75**	$ 1.45
Diluted net income per share	**$ 0.32**	$ 0.28	**$ 1.60**	$ 1.23
Adjusted EPS[(i)]	**$ 0.36**	$ 0.38	**$ 1.73**	$ 1.72

[(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 increases in adjusted EBITDA of $0.2 million for the year-ended December 31, 2019.

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)	2020	2019	**2020**	2019
Net income and comprehensive income available to shareholders	**$ 10,044**	$ 8,242	**$ 49,208**	$ 36,878
Adjustments:				
Loss (gain) on disposal of property, plant and equipment	**122**	259	**757**	(31)
Stock-based compensation expense	**4,839**	1,754	**1,944**	9,443
Restructuring costs	**—**	—	**—**	1,442
Net realized and unrealized gain on derivative financial	**(3,429)**	—	**(4,266)**	—
Write-down on asset held for sale	—	—	**1,800**	—
Pre-2019 inventory correction	**—**	—	**—**	(2,775)
Loss on legacy claim settlement	**—**	—	**—**	1,235
Tax effect of the above items	**(1,141)**	(534)	**(621)**	(2,468)
Adjusted net earnings[i]	**$ 10,435**	$ 9,721	**$ 48,822**	$ 43,724
Adjustments:				
Tax effect of the above items	**1,141**	534	**621**	2,468
Interest expense, net	**4,441**	5,498	**18,681**	21,623
Income tax expense	**319**	2,370	**11,264**	2,858
Equity loss (earnings) in affiliates and joint ventures[ii]	**612**	(795)	**(5,942)**	(795)
Equity investment EBIT[i]	**644**	1,143	**8,043**	1,143
Adjusted EBIT[i][ii]	**$ 17,592**	$ 18,471	**$ 81,489**	$ 71,021
Adjustments:				
Depreciation	**26,273**	28,327	**89,008**	101,582
Write-down on asset held for sale	**—**	—	**(1,800)**	—
Amortization of intangible assets	**1,248**	76	**2,291**	711
Equity investment depreciation and amortization[i][ii]	**1,130**	915	**4,462**	915
Adjusted EBITDA[i][ii]	**$ 46,243**	$ 47,789	**$ 175,450**	$ 174,229

[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 $0.9 million and $0.2 million for the year-ended December 31, 2019.

We 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, 2020.

	Three months ended December 31,		Year ended December 31,	
(dollars in thousands)	2020	2019	2020	2019
Equity (earnings) loss in affiliates and joint ventures	**$ (612)**	$ 795	**$ 5,942**	$ 795
Adjustments:				
Interest expense, net	**106**	44	**376**	44
Income tax expense	**1,124**	316	**1,373**	316
Gain on disposal of property, plant and equipment	**26**	(12)	**352**	(12)
Equity investment EBIT[i]	**$ 644**	$ 1,143	**$ 8,043**	$ 1,143
Depreciation	**$ 1,096**	$ 836	**$ 4,329**	$ 836
Amortization of intangible assets	**34**	79	**133**	79
Equity investment depreciation and amortization[i]	**$ 1,130**	$ 915	**$ 4,462**	$ 915

[i] See "Non-GAAP Financial Measures"

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 months and year ended December 31, 2020 Results

Revenue

For the three months ended December 31, 2020, revenue was $136.8 million, down from $189.5 million in the same period last ye ar. The majority of our customers began to ramp-up operations in late Q3 and early Q4; however, several large projects remain delayed at this time during the recovery phase of the COVID-19 pandemic. The majority of the decrease in revenue was attributed to the Fort Hills mine which did not have significant activity in Q4 2020 but was a significant driver of Q4 2019 performance. The external maintenance offering also had a noticeable quarter over quarter variance as the prior year included the completion and delivery of rebuilt and refurbished haul trucks. These decreases were partially offset by additional reclamation volumes at the Aurora Mine, revenue generated from the operations support contract at the coal mine in southern Texas and increased demand for equipment rental support at the Millennium Mine.

For the year ended December 31, 2020, revenue was $500.4 million, down from $719.1 million for the year ended December 31, 2019. The decrease of 30.4% in revenue was a result of the Q4 factors mentioned above, combined with the severe challenges presented by the COVID-19 pandemic, and the change in consolidation method for Nuna whereby revenues for the full year of 2020 were included within equity earnings. These decreases were partially offset by new civil construction services work at Mildred Lake and the increased reclamation volume at the Aurora Mine. Additionally, we experienced reduced tailings pond and mine support activities at the Millennium Mine which was partially offset by increased overburden volumes that were secured in Q2 and high demand for mine rental support in Q3 and Q4. Nuna reported gross revenue of $37.0 million in 2019, however, due to a corporate reorganization that was effective on October 31, 2019, the ongoing revenue and results are included in equity earnings. On a comparative basis, our share of revenue from Nuna in 2020 of $59.9 million was consistent with the 2019 revenue of $61.7 million.

Gross profit

For the three months ended December 31, 2020, gross profit was $23.3 million or 17.0% of revenue, down from a gross profit of $25.1 million, but up from a 13.2% gross margin in the same period last year. The lower gross profit amount in the current period was driven by the continued delay of several large projects that were deemed non-essential during the COVID-19 pandemic. The gross profit margin achieved was the result of an effectively operated fleet and was bolstered by the Canada Emergency Wage Subsidy. Furthermore, the margin was positively impacted by the operations support contracts for the coal mines in Texas and Wyoming. These increases were offset by reduced activity at the Fort Hills mine as we demobilized from site in Q3.

For the year ended December 31, 2020, gross profit was $94.4 million, or 18.9% of revenue, down from $96.4 million but up from 13.4% of revenue in the previous year. The decrease in gross profit was primarily driven by a reduction in site activity due to the COVID-19 pandemic. Partially offsetting these decreases was gross profit earned from the operations support contract at coal mines in Texas and Wyoming. The improvement in current year gross margin was impacted by the Q4 factors mentioned above, the strong margins achieved in Q1 from the favorable operating conditions at our mine sites and the disciplined cost constraints in place during the pandemic. Offsetting these improvements was the impact of accounting for Nuna which helped reported gross margins in 2019 but are reported in equity earnings in 2020. Despite fluctuations in equipment demand, we returned to a more normalized level of equipment maintenance in 2020 as 2019 was heavily impacted by deferred maintenance required for the fleet purchased in Q4 2018.

For the three months ended December 31, 2020, depreciation was $26.3 million (or 19.2% of revenue), down from $28.3 million (or 15.0% of revenue) in the same period last year. Depreciation for the year ended December 31, 2020 was $89.0 million (17.8% of revenue), down from $101.6 million (14.1% of revenue) for the year ended December 31, 2019. The year-over-year decreases in gross depreciation are the result of reductions in gross operating equipment hours run by our fleet in the three months and year ended December 31, 2020. The depreciation percentage in Q4 was higher than our current run rate primarily due to the higher proportion of larger equipment operated when compared to a typical three-month period. Depreciation as a percentage of revenue for the year ended December 31, 2020 was higher than our historical run rate primarily due to the higher proportion of larger, or ultra-class, equipment operated when compared to a typical annual period which includes smaller support fleet. Straight-line depreciation on certain fixed assets during the low revenue quarters also contributed to the percentage increase. And lastly, the inefficiencies caused by poor haul road conditions, particularly in Q3 2020, resulted in higher than usual operating equipment hours.

Operating income

For the three months ended December 31, 2020, operating income was $12.0 million, compared to operating income of $15.3 million during the same period last year. G&A expense (excluding stock-based compensation expense) was $6.3 million, or 4.6% of revenue for the three months ended December 31, 2020, down from $7.7 million, or 4.0% of revenue in the same period last year. The decrease in the current period expense is due to a combination of cost control initiatives implemented in Q2 2020 whereby all discretionary and non-essential spending was halted and $6.6 million of salary and wage subsidies under the CEWS program presented as reductions in project costs, equipment costs and general and administrative expenses of $4.0 million, $2.0 million, $0.5 million, respectively.

For the year ended December 31, 2020, operating income was $68.9 million, up from $58.8 million for the year ended December 31, 2019. G&A expense (excluding stock-based compensation expense) was $22.2 million for the year ended December 31, 2020, or 4.4% of revenue, down from the $27.5 million, and up from 3.8% of revenue, recorded in the year ended December 31, 2019. The year-over-year decrease in expense is due to a combination of cost control initiatives, including mandated reduced work hours and the complete halt of all discretionary and non-essential spending, and $28.2 million of salary and wage subsidies under the CEWS program presented as reductions in project costs, equipment costs and general and administrative expenses of $16.2 million, $9.1 million and $2.9 million, respectively.

Non-operating income and expense

	Three months ended December 31,		Year ended December 31,	
(dollars in thousands)	2020	2019	2020	2019
Interest expense				
Credit facilities	**$ 2,054**	$ 2,534	**$ 8,189**	$ 9,826
Convertible debentures	**691**	1,234	**3,299**	4,318
Finance lease obligations	**689**	829	**3,184**	3,691
Mortgages	**246**	252	**999**	963
Promissory notes	**115**	292	**664**	1,691
Financing obligations	**402**	134	**1,265**	272
Amortization of deferred financing costs	**204**	247	**1,091**	969
Interest expense	**$ 4,401**	$ 5,522	**$ 18,691**	$ 21,730
Other interest expense (income)	**40**	(24)	**(10)**	(107)
Total interest expense	**$ 4,441**	$ 5,498	**$ 18,681**	$ 21,623
Equity loss (earnings) in affiliates and joint ventures	**612**	(795)	**(5,942)**	(2,780)
Net realized and unrealized gain on derivative financial instruments	**(3,429)**	—	**(4,266)**	—
Income tax expense	**319**	2,370	**11,264**	2,858

Total interest expense was $4.4 million during the three months ended December 31, 2020, down from $5.5 million in the same period last year. In the year ended December 31, 2020, total interest expense was $18.7 million, down from the $21.6 million in the year ended December 31, 2019. The decreased interest expense in both periods can be attributed to reduced rates on our Credit Facility, redemption of our 5.50% convertible debentures and settlement of equipment promissory notes.

Cash related interest expense for the three months ended December 31, 2020, calculated as interest expense excluding amortization of deferred financing costs of $0.2 million, was $4.2 million and represents an average cost of debt of 3.7% when factoring in the Credit Facility balances during the quarter (compared to 4.8% for the three months ended December 31, 2019). Cash related interest expense for the year ended December 31, 2020 (excluding deferred financing cost of amortization of $1.1 million and implied interest of $0.2 million) was $17.4 million and represents an average cost of debt of 3.9% (compared to 4.8% for the year ended December 31, 2019).

Equity loss (earnings) in affiliates and joint ventures was generated by the NL Partnership and other various joint ventures accounted for using the equity method and is $(0.6) million for the three months ended December 31, 2020, down from $0.8 million in the same period last year. The decrease in the quarter was primarily driven by a timing impact of income tax expense. In the year ended December 31, 2020 equity loss (earnings) in affiliates and joint ventures was $5.9 million up from the $2.8 million in the year ended December 31, 2019. The increase in the

year was due to a full year of accounting for the NL Partnership under the equity method. For clarity, operating results of affiliates and joint ventures was consistent year-over-year.

Net realized and unrealized gain on derivative financial instruments relating to our swap agreements entered during 2020 was $3.4 million and $4.3 million for the three months and year ended December 31, 2020, respectively.

We recorded income tax expense of $0.3 million and $11.3 million, respectively, during the three months and year ended December 31, 2020, a decrease from the $2.4 million and an increase from the $2.8 million income tax expense recorded in the respective prior year periods. The current quarter income tax expense was lower than Q4 2019 due to the timing of earnings generated by affiliates and joint ventures. The current year income tax expense approximates our combined effective corporate tax rate of 23% but was higher than the prior year due to tax rate reductions legislated and accounted for in 2019.

Net income and comprehensive income available to shareholders

	Three months ended December 31,		Year ended December 31,	
(dollars in thousands)	2020	2019	2020	2019
Net income and comprehensive income	**$ 10,044**	$ 8,259	**$ 49,208**	$ 37,133
Net income attributable to noncontrolling interest	**—**	(17)	**—**	(255)
Net income and comprehensive income available to shareholders	**$ 10,044**	$ 8,242	**$ 49,208**	$ 36,878
Adjusted net earnings[(i)]	**$ 10,435**	$ 9,721	**$ 48,822**	$ 43,724
Weighted-average number of common shares	**29,157,143**	25,750,869	**28,165,130**	25,444,374
Weighted-average number of diluted shares	**33,180,912**	33,349,334	**32,300,824**	32,843,211
Basic net income per share	**$ 0.34**	$ 0.32	**$ 1.75**	$ 1.45
Adjusted EPS[(i)]	**$ 0.36**	$ 0.38	**$ 1.73**	$ 1.72
Diluted net income per share	**$ 0.32**	$ 0.28	**$ 1.60**	$ 1.23

(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 stock-based compensation plan liabilities; and
- the level of borrowing under our convertible debentures, 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 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Revenue	**$ 136.8**	$ 94.0	$ 70.8	$ 198.8	$ 189.5	$ 166.3	$ 176.9	$ 186.4
Gross profit[i]	**23.3**	15.4	21.1	34.7	25.1	18.3	23.5	29.6
Adjusted EBITDA[i][ii]	**46.2**	37.1	31.9	59.9	47.8	37.2	37.1	52.1
Net income and comprehensive income available to shareholders	**10.0**	6.8	13.3	19.0	8.2	7.6	13.9	7.2
Basic income per share[iii]	**$ 0.34**	$ 0.23	$ 0.46	$ 0.74	$ 0.32	$ 0.29	$ 0.55	$ 0.29
Diluted income per share[iii]	**$ 0.32**	$ 0.22	$ 0.42	$ 0.67	$ 0.28	$ 0.26	$ 0.45	$ 0.25
Adjusted EPS[i][iii]	**$ 0.36**	$ 0.26	$ 0.45	$ 0.70	$ 0.38	$ 0.41	$ 0.43	$ 0.50
Cash dividend per share[iv]	**$ 0.04**	$ 0.04	$ 0.04	$ 0.04	$ 0.04	$ 0.04	$ 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 an increase in adjusted EBITDA of in $0.2 million in Q1 2019.

[iii] Net income and adjusted earnings per share for each quarter have been computed based on the weighted-average number of shares issued and outstanding during the respective quarter. Therefore, quarterly amounts are not additive and may not add to the associated annual or year-to-date totals.

[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 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.

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

On October 8, 2020, we entered into an amendment to our Credit Facility agreement that increased the available borrowings permitted under our revolving facility by $25.0 million to $325.0 million. Please see below under "Liquidity and Capital Resources - Credit Facility" for more information on the amended facility.

As at December 31, 2020, we had $43.9 million in cash and $104.1 million of unused borrowing availability on the Credit Facility, for a total liquidity of $148.0 million (defined as cash plus available and unused Credit Facility borrowings). This is compared to our total liquidity of $114.6 million at December 31, 2019 ($5.5 million cash, and $109.1 million available and unused Credit Facility borrowings). Our liquidity is complemented by available borrowings through our equipment leasing partners. Under the terms of our Credit Facility, our finance lease borrowing is limited to $150.0 million. As at December 31, 2020, we had $29.4 million in unused finance lease borrowing availability under our Credit Facility, compared to $53.9 million at December 31, 2019. Borrowing availability under finance lease obligations considers the current and long-term portion of finance lease obligations, financing obligations and equipment promissory notes. There are no restrictions within the terms of our Credit

Facility relating to the use of operating leases. As at December 31, 2020, our total available capital liquidity was $177.4 million (defined as total liquidity plus unused finance lease borrowing availability under our Credit Facility) compared to $168.5 million at December 31, 2019.

(dollars in thousands)	December 31, 2020	December 31, 2019	Change
Cash	**$ 43,915**	$ 5,544	$ 38,371
Working capital assets			
Accounts receivable	**$ 36,373**	$ 66,746	$ (30,373)
Contract assets	**7,034**	19,193	(12,159)
Inventories	**19,174**	21,649	(2,475)
Contract costs	**1,969**	1,016	953
Prepaid expenses and deposits	**4,999**	4,245	754
Working capital liabilities			
Accounts payable	**(41,369)**	(88,201)	46,832
Accrued liabilities	**(19,111)**	(17,560)	(1,551)
Contract liabilities	**(1,512)**	(23)	(1,489)
Total net working capital (excluding cash)	**$ 7,557**	$ 7,065	$ 492
Property, plant and equipment	**633,704**	587,729	45,975
Total assets	**838,928**	792,652	46,276
Finance lease obligations[(i)]	**69,472**	76,278	(6,806)
Credit facility[(i)]	**220,000**	190,000	30,000
Promissory notes[(i)]	**12,726**	14,648	(1,922)
Financing obligations[(i)]	**51,118**	15,435	35,683
Senior debt[(ii)]	**$ 353,316**	$ 296,361	$ 56,955
Convertible debentures[(i)]	**55,000**	94,031	(39,031)
Mortgage[(i)]	**21,206**	21,739	(533)
Total debt[(ii)]	**$ 429,522**	$ 412,131	$ 17,391
Cash	**(43,915)**	(5,544)	38,371
Net debt[(ii)]	**$ 385,607**	$ 406,587	$ (20,980)
Total shareholders' equity	**248,443**	180,119	68,324
Invested capital[(ii)]	**$ 634,050**	$ 586,706	$ 47,344

[(i)]Includes current portion.
[(ii)]See "Non-GAAP Financial Measures".

As at December 31, 2020, we had $0.2 million in trade receivables that were more than 30 days past due, compared to $nil as at December 31, 2019. As at December 31, 2020 and December 31, 2019, we did not have an allowance for credit losses 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.

Our current working capital is also significantly affected by the timing of the completion of projects and the contractual terms of the project. In some cases, our customers are permitted to withhold payment of a percentage of the amount owing to us for a stipulated period of time (such percentage and time period is usually defined by the contract and in some cases provincial legislation). This amount acts as a form of security for our customers and is referred to as a "holdback". Typically, we are only entitled to collect payment on holdbacks if substantial completion of the contract has been performed, there are no outstanding claims by subcontractors or others related to work performed by us and we have met the period specified by the contract (usually 45 days after completion of the work). However, in some cases, we are able to negotiate the progressive release of holdbacks as the job reaches various stages of completion. As at December 31, 2020, holdbacks totaled $0.1 million, down from the $7.2 million balance as at December 31, 2019.

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 in the early phases of such projects.

Capital resources

Our capital resources consist primarily of cash flow provided by operating activities, cash borrowings under our Credit Facility and financing through operating leases and capital equipment financing.

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 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 2021 from existing cash balances, cash provided by operating activities and borrowings under our Credit Facility.

	Three months ended December 31,		Year ended December 31,	
(dollars in thousands)	2020	2019	2020	2019
Purchase of PPE	**$ 27,281**	$ 38,571	**$ 117,300**	$ 157,026
Additions to intangibles	**1**	48	**272**	422
Gross capital expenditures	**$ 27,282**	$ 38,619	**$ 117,572**	$ 157,448
Proceeds from sale of PPE	**(807)**	(1,200)	**(2,913)**	(4,462)
Change in capital inventory and capital work in progress[(i)(ii)]	**3,359**	(4,234)	**(6,124)**	(10,524)
Capital expenditures, net[(i)]	**29,834**	33,185	**108,535**	142,462
Finance lease additions	**—**	—	**27,882**	28,107
Capital additions[(i)]	**$ 29,834**	$ 33,185	**$ 136,417**	$ 170,569

(i) See "Non-GAAP Financial Measures".
(ii) Included in property, plant and equipment on the Consolidated Balance Sheets is $32.3 million (2019 - $26.2 million) of capital inventory and capital work in progress.

	Three months ended December 31,		Year ended December 31,	
(dollars in thousands)	2020	2019	2020	2019
Sustaining	**$ 26,656**	$ 23,663	**$ 96,602**	$ 96,659
Growth	**3,178**	9,522	**11,933**	45,803
Capital expenditures, net[(i)]	**29,834**	33,185	**108,535**	142,462
Sustaining	**—**	—	**2,150**	28,107
Growth	**—**	—	**25,732**	—
Finance lease additions	**—**	—	**27,882**	28,107
Sustaining	**26,656**	23,663	**98,752**	124,766
Growth	**3,178**	9,522	**37,665**	45,803
Capital additions[(i)]	**$ 29,834**	$ 33,185	**$ 136,417**	$ 170,569

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

Sustaining capital additions for the three months ended December 31, 2020 was $26.7 million and was almost exclusively made up of capitalized maintenance performed on existing fleet. The Q4 maintenance program was escalated in response to the stronger than expected demand for the upcoming busy winter season. During the quarter, maintenance personnel focused their attention on our internal fleet in terms of full machine rebuilds as well as major component change-outs deemed necessary based on age and condition. For the year ended December 31, 2020, sustaining capital was $98.8 million and was also predominantly comprised of maintenance costs which were componentized and capitalized. As is a customary Q1 practice in our fleet management process, certain single-life heavy and support equipment assets were purchased in Q1 2020 to replace existing aged units and represented the remainder of our sustaining capital additions for the year.

Growth capital additions for the three months ended December 31, 2020 was $3.2 million. This spending was comprised of final costs related to the startup of a heavy equipment maintenance facility located on a major customer site as well as the costs associated with an ultra-class haul truck which was commissioned for use in late Q4 2020. Growth capital additions for the year ended December 31, 2020 was $37.7 million and primarily related to the commissioning of shovels and loading units in Q1 2020 required to fulfill performance obligations under long-term contracts.

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. Our equipment fleet is currently split among owned (68.0%), finance leased (28.0%) and rented equipment (4.0%).

During Q2 2020, we updated our definitions of growth capital and sustaining capital to exclusively represent costs incurred related to property, plant and equipment which have been commissioned and available for use. With our newly constructed component rebuild facility progressing to full capacity, a significant portion of our component rebuild process has now been fully internalized. We feel that this change in definition better reflects the capital spend on our deployed and commissioned capital assets as well as the change in our business. If this definition change had not been made, our capital additions would have been as follows:

	Three months ended December 31,		Year ended December 31,	
(dollars in thousands)	2020	2019	2020	2019
Purchase of PPE	**$ 27,281**	$ 38,571	**$ 117,300**	$ 157,026
Additions to intangibles	**1**	48	**272**	422
Gross capital expenditures	**$ 27,282**	$ 38,619	**$ 117,572**	$ 157,448
Proceeds from sale of PPE	**(807)**	(1,200)	**(2,913)**	(4,462)
Change in capital inventory and capital work in progress[(i)(ii)]	**(1,037)**	(4,234)	**(4,476)**	(10,524)
Capital expenditures, net[(i)]	**25,438**	33,185	**110,183**	142,462
Finance lease additions	**—**	—	**27,882**	28,107
Capital additions[(i)]	**$ 25,438**	$ 33,185	**$ 138,065**	$ 170,569

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

	Three months ended December 31,		Year ended December 31,	
(dollars in thousands)	2020	2019	2020	2019
Sustaining	**$ 23,585**	$ 23,663	**$ 98,344**	$ 96,659
Growth	**1,853**	9,522	**11,839**	45,803
Capital expenditures, net[(i)]	**25,438**	33,185	**110,183**	142,462
Sustaining	**—**	—	**2,150**	28,107
Growth	**—**	—	**25,732**	—
Finance lease additions	**—**	—	**27,882**	28,107
Sustaining	**23,585**	23,663	**100,494**	124,766
Growth	**1,853**	9,522	**37,571**	45,803
Capital additions[(i)]	**$ 25,438**	$ 33,185	**$ 138,065**	$ 170,569

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

Summary of consolidated cash flows

	Three months ended December 31,		Year ended December 31,	
(dollars in thousands)	2020	2019	2020	2019
Cash provided by operating activities	**$ 62,739**	$ 82,473	**$ 147,272**	$ 157,944
Cash used by investing activities	**(25,460)**	(48,154)	**(113,573)**	(160,678)
Cash (used) provided by financing activities	**(33,695)**	(40,937)	**4,672**	(11,230)
Net increase (decrease) in cash	**$ 3,584**	$ (6,618)	**$ 38,371**	$ (13,964)

Operating activities

	Three months ended December 31,		Year ended December 31,	
(dollars in thousands)	2020	2019	2020	2019
Cash provided by operating activities prior to change in working capital[(i)]	**$ 44,766**	$ 44,999	**$ 150,084**	$ 149,425
Net changes in non-cash working capital	**17,973**	37,474	**(2,812)**	8,519
Cash provided by operating activities	**$ 62,739**	$ 82,473	**$ 147,272**	$ 157,944

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

Cash provided by operating activities for the three months ended December 31, 2020 was $62.7 million, compared to cash provided by operating activities of $82.5 million for the three months ended December 31, 2019. Cash provided by operating activities for the year ended December 31, 2020 was $147.3 million, compared to cash provided by operating activities of $157.9 million for the year ended December 31, 2019.

The decrease in cash flow in the current year is a result of lower cash from working capital due to the timing of working capital balances. Cash provided by (used by) 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)	2020	2019	2020	2019
Accounts receivable	**$ 6,906**	$ 13,596	**$ 29,462**	$ 5,393
Contract assets	**(1,669)**	(1,540)	**12,159**	(10,352)
Inventories	**894**	1,020	**2,475**	(12,579)
Contract costs	**(439)**	(1,033)	**(953)**	943
Prepaid expenses and deposits	**322**	701	**(593)**	(663)
Accounts payable	**6,582**	27,665	**(46,832)**	28,600
Accrued liabilities	**3,987**	1,681	**(19)**	1,034
Contract liabilities	**1,390**	(4,616)	**1,489**	(3,857)
	$ 17,973	$ 37,474	**$ (2,812)**	$ 8,519

Investing activities

During the three months ended December 31, 2020, cash used by investing activities was $25.5 million, compared to $48.2 million in cash used by investing activities in the three months ended December 31, 2019. Current period investing activities largely relate to $27.3 million for the purchase of property, plant and equipment, offset by $0.8 million in proceeds on disposal of property, plant and equipment. Prior year investing activities included $38.6 million for the purchase of property, plant, equipment offset by $1.2 million in proceeds on disposal of property, plant and equipment.

During the year ended December 31, 2020, cash used by investing activities was $113.6 million, compared to $160.7 million used by investing activities during the year ended December 31, 2019. Current period investing activities largely relate to $117.3 million for the purchase of property, plant and equipment, offset by $2.9 million in proceeds from the disposal of property, plant and equipment. Prior year investing activities included $157.0 million for the purchase of property, plant, equipment offset by $4.5 million in proceeds for the disposal of property, plant and equipment.

Financing activities

Cash used by financing activities during the three months ended December 31, 2020, was $33.7 million, which included $nil of proceeds of long-term debt offset by $23.1 million of long-term debt repayments, and $8.6 million in finance lease obligation repayments. Cash used by financing activities for the three months ended December 31, 2019 was $40.9 million, which included proceeds from long-term debt of $3.6 million offset by $34.2 million of long-term debt repayments and $8.5 million in finance lease obligation repayments.

For the year ended December 31, 2020, cash provided by financing activities was $4.7 million, which included $145.5 million of proceeds of long-term debt offset by $82.3 million of long-term debt repayments, $34.7 million in finance lease obligation repayments, $9.9 million of treasury share purchases and $9.1 million in share purchase program. Cash used by financing activities during the year ended December 31, 2019 was $11.2 million, driven by proceeds of long-term debt of $227.8 million offset by $186.9 million of long-term debt repayments, $38.2 million repayments towards finance lease obligations, $10.4 million of treasury share purchases and $2.7 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)	**2020**	2019
Cash provided by operating activities	**$ 147,272**	$ 157,944
Cash used in investing activities	**(113,573)**	(160,678)
Capital additions financed by leases	**(27,882)**	(28,107)
Add back:		
Growth capital additions	**37,665**	45,803
Cash reclassification to investments in affiliates and joint ventures from change in presentation of NL Partnership	**—**	10,630
Free cash flow[(i)]	**$ 43,482**	$ 25,592

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

Free cash flow for the year ended December 31, 2020 was $43.5 million which can be calculated as adjusted EBITDA of $175.5 million, less sustaining capital additions of $98.8 million and cash interest paid of $18.5 million and adjusted for cash investments in or payback from capital inventory, capital work in process and working capital balances. The 2020 capital program of $98.8 million generally reflects the run-rate of our heavy equipment fleet of approximately 626 assets but was impacted by the ramp down in late Q1 and subsequent ramp up in mid Q3 2020. Free cash flow for the year ended December 31, 2019 was $25.6 million, based on 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. The increase in 2020 of $17.9 million was primarily driven by the decrease in sustaining capital additions of $26.0 million.

Contractual obligations and other commitments

Our principal contractual obligations relate to our long-term debt; finance and operating leases; and supplier contracts. The following table summarizes our future contractual obligations as of December 31, 2020, excluding interest where interest is not defined in the contract (operating leases and supplier contracts).The future interest payments were calculated using the applicable interest rates and balances as at December 31, 2020 and may differ from actual results.

		Payments due by fiscal year				
(dollars in thousands)	Total	2021	2022	2023	2024	2025 and thereafter
Credit Facility[(i)]	**$ 239,826**	$ 7,158	$ 7,158	$ 225,510	$ —	$ —
Convertible debentures[(ii)]	**70,125**	2,750	2,750	2,750	2,750	59,125
Mortgage[(iii)]	**34,352**	1,552	1,548	1,561	1,565	28,126
Promissory notes	**13,490**	4,047	4,047	4,047	1,349	—
Finance leases[(iv)]	**59,571**	24,344	18,110	9,317	6,442	1,358
Operating leases[(v)]	**14,042**	1,214	1,051	917	700	10,160
Non-lease components of building lease commitments[(vi)]	**1,092**	324	412	159	—	197
Financing obligations	**54,434**	13,483	13,483	13,483	13,350	635
Supplier contracts	**11,698**	11,698	—	—	—	—
Total contractual obligations	**$ 498,630**	**$ 66,570**	**$ 48,559**	**$ 257,744**	**$ 26,156**	**$ 99,601**

[(i)] Our 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 our Credit Facility), plus applicable margins payable monthly.

[(ii)] 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. The 5.50% convertible debentures were redeemed April 6, 2020 and were settled in shares.

[(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 3.05% at December 31, 2020 and is secured by a first security interest on land in Acheson, Alberta.

[(iv)] Finance leases are net of receivable on heavy equipment operating sublease of $13,875 (2021 - $4,625; 2022 - $4,625; 2023 - $4,625)

[(v)] Operating leases are net of receivables on subleases of $22,069 (2021 - $3,554; 2022 - $2,651; 2023 - 1,496; 2024 - $493).

[(vi)] Non-lease components of lease commitments are net of receivables on subleases of $3,699 (2021 - $1,514; 2022 - $1,453; 2023 - $730; 2024 - $2). These commitments include common area maintenance, management fees, property taxes and parking related to operating leases.

Our total contractual obligations of $498.6 million as at December 31, 2020 have decreased from $521.0 million as at December 31, 2019 primarily related to an increase of $33.3 million related to our Credit Facility, an increase of $37.8 million to financing obligations, offset by a decrease in convertible debentures of $51.4 million and a decrease to supplier contracts of $13.6 million. For a discussion on our Credit Facility see "Credit Facility" 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 Facility

On October 8, 2020, we entered into an amendment to our Credit Facility that increased the revolving loan to $325.0 million, with the ability to increase the maximum borrowings by an additional $25.0 million subject to certain conditions, and permits finance lease debt to a limit of $150.0 million. This expanded facility matures on October 8, 2023, with an option to extend on an annual basis. The amended facility maintains financial covenant thresholds as well as other debt limits.

Our 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.
    - "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.

  Senior Leverage Ratio must be less than or equal to 3.0:1 at Q4 2020 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 must be maintained at a ratio greater than 1.15:1.
- The calculation of both financial covenants excludes rental revenue of the wholly owned subsidiary that owns our shop and head office complex.

As at December 31, 2020, we were in compliance with our financial covenants. The Senior Leverage Ratio was 2.15:1, in compliance with the maximum 3.0:1. The Fixed Charge Coverage Ratio was 1.74:1, in compliance with the minimum of 1.15:1.

Borrowing activity under our Credit Facility

As at December 31, 2020, there was $220.0 million borrowed against our Credit Facility along with $0.9 million in issued letters of credit under our Credit Facility (December 31, 2019 - $190.0 million and $0.9 million, respectively) and the unused borrowing availability was $104.1 million (December 31, 2019 - $109.1 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 12, 2021, there were 30,634,331 voting common shares outstanding, which included 1,850,826 common shares held by the trust and classified as treasury shares on our Consolidated Balance Sheets (31,011,831 common shares, including 1,845,201 common shares classified as treasury shares at December 31, 2020). We had no non-voting common shares outstanding on any of the foregoing dates.

Options

As at December 31, 2020, there were an aggregate of 125,000 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 125,000 voting common shares.

Convertible debentures

On March 2, 2020, we announced we had issued a notice of redemption to holders of the 5.50% convertible debentures due March 31, 2024. On April 6, 2020, the convertible debentures were redeemed in accordance with their original terms. We satisfied the redemption price through the issuance of 4,583,655 common shares and accrued and unpaid interest was settled in cash. The principal amount derecognized was $38.6 million. In the three months ended March 31, 2020, a principal amount of $0.4 million was converted into 39,261 common shares.

The terms of the 5.00% convertible debentures are summarized as follows:

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

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

The debentures are only redeemable under certain conditions after a change in control has occurred. If a change in control occurs, we are required to offer to purchase the debentures at a price equal to 101% of the principal amount plus accrued and unpaid interest to the date of purchase.

On March 23, 2020, we entered into a swap agreement related to shares expected to be issued upon redemption of the 5.50% convertible debentures. This swap agreement was settled in April 2020 in accordance with its stated terms and resulted in the recognition of a realized loss of $2.2 million based on the difference between the conversion price of the shares under the terms of the 5.50% convertible notes and the expected price of our shares at the settlement date.

In April 2020, an additional swap agreement was entered into with respect to these shares. As at December 31, 2020, we recognized a realized gain of $2.1 million and an unrealized gain of $4.3 million on this agreement based on the difference between the par value of the converted shares and the expected price of our shares at contract maturity. This swap agreement is expected to mature in June 2021. The above noted swap agreements are derivative financial instruments that are recorded at fair value, with changes recognized in net realized and unrealized gain on derivative financial instruments within the Consolidated Statements of Operations and Comprehensive Income.

Share purchase program

Commencing on March 12, 2020, we engaged in a Normal-Course Issuer Bid ("NCIB") under which a maximum number of 2,300,000 common shares were authorized to be purchased. As at December 31, 2020, we purchased and subsequently cancelled 1,223,097 shares under this NCIB, at an average price of $7.45 per share. This resulted in a decrease to common shares of $9.9 million and an increase to additional paid-in capital of $0.8 million.

Subsequent to the year ended December 31, 2020, we purchased and subsequently cancelled 377,500 shares under this NCIB, which resulted in a decrease of common shares of $3.1 million and an increase to additional paid-in capital of $1.8 million.

Backlog

The following summarizes our non-GAAP reconciliation of backlog as at December 31, 2020 and December 31, 2019.

(dollars in thousands)		**Dec 31, 2020**		Dec 31, 2019
Performance obligations per financial statements	**$**	**126,816**	$	75,378
Add: undefined committed volumes		**614,285**		1,012,646
Backlog	**$**	**741,101**	$	1,088,024
Revenue generated from backlog for the year end	**$**	**310,278**	$	463,749

Backlog decreased $346.9 million during the year end December 31, 2020 which compares reasonably to the revenue recognized of $310.3 million and the $329.0 million as was reported in the 2019 MD&A. Differences from these metrics related to work the customer has either deferred or cancelled. As at December 31, 2020, we expect that $292.1 million of our backlog reported above will be performed over 2021.

Our equity method investments also have a backlog of which our share was $190.3 million as at December 31, 2020 (December 31, 2019 - $22.8 million), resulting in a combined backlog of $931.4 million as at December 31, 2020 (December 31, 2019 - $1,110.8 million).

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, 2020, we recognized revenue from variable consideration related to unpriced contract modifications of $nil (December 31, 2019 - $4.9 million).

As at December 31, 2020, we had $nil of unresolved unpriced contract modifications on our balance sheet. This compares to $5.3 million of unresolved unpriced contract modifications recorded as at December 31, 2019.

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 voting common shares and increasing the borrowing flexibility and capacity of the Credit Facility. Building on these prior year successes, we took the following actions in 2020:

- Continue to drive down our cost of debt by utilizing the leasing capacity in our Credit Facility and securing competitive pricing provided by our equipment leasing partners to finance new and used equipment.
- Continue to maintain common shares in the trust 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.
- On March 2, 2020, we announced a notice of redemption to the holders of our 5.50% convertible debentures. The debentures were redeemed on April 6, 2020 and the redemption was satisfied through issuance of 4,583,655 voting common shares and all accrued and unpaid interest was paid in cash.
- On March 9, 2020, we announced a NCIB to purchase up to 2,300,000 common shares for cancellation. This represented approximately 8.3% of the issued and outstanding common shares as of March 3, 2020. The NCIB commenced on March 12, 2020 and will terminate no later than March 11, 2021.
- On October 8, 2020 we entered into an amendment to our Amended and Restated Credit Agreement that increased the revolving loan to $325.0 million. This facility matures on October 8, 2023, with an option to extend on an annual basis. The Credit Facility permits finance lease obligations to a limit of $150.0 million and certain other borrowings outstanding to a limit of $20.0 million.

Our net debt is $385.6 million at December 31, 2020, compared to $406.6 million at December 31, 2019. Annual free cash flow of $43.5 million was used to fund growth capital spending of $37.7 million.

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

Related parties

Amounts payable and receivables from joint ventures and affiliates 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. The following table provides the balance sheet balances with the NL Partnership and its affiliates:

	December 31, 2020	December 31, 2019
Accounts receivable	**$ 1,179**	$ 1,202
Other assets	**1,432**	—
Accounts payable and accrued liabilities	**5,296**	251

In June of 2019, we purchased heavy equipment from NL Partnership for $1.3 million settled in cash.

We enter into transactions with a number of joint ventures and affiliates that involve providing services primarily consisting of management fees and equipment rental revenue. These transactions were conducted in the normal course of operations, which were established and agreed to as consideration by the related parties. For the years ended December 31, 2020 and 2019, revenue earned from these services was not material.

OUTLOOK

We believe that we have the contracted work to provide sufficient free cash flow to both de-lever our balance sheet and pursue strategic opportunities. Our confidence in this positive outlook is underpinned by our expectation that the majority of the revenue will be derived from foundational work linked to oil sands production and contractual commitments. As evidenced by the recent gold mine contract awarded to the North American Nuna Joint Venture, we will continue to capitalize on incremental organic growth and will be focusing on geographical and customer

diversification as opportunities arise. Given this confidence we have updated our diversification target for adjusted EBIT in 2022 from 40% to 50%.

As illustrated in the investor presentation that accompanies this annual report, we expect adjusted EBITDA and adjusted earnings per share for 2021 to be in the ranges $165 to $205 million, $1.60 to $1.90, respectively.

As mentioned previously, we maintain our expectation of focusing our free cash on deleveraging with the majority of 2021 free cash flow to be directed towards debt reduction (illustrative range of $35 to $45 million provided in the investor presentation).

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 2021 sustaining capital expenditures to approximately $90 million to $105 million, net of normal equipment disposals, primarily related to essential capital maintenance and equipment replacement requirements. At this time, we believe our 2021 growth capital spending could range from $5 million to $10 million to capitalize on near-term opportunities related to the strong demand for maintenance and component rebuild services.

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 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 credit losses, 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 the year ended December 31, 2020 and notes that follow, which sections are expressly incorporated by reference into this MD&A.

Accounting pronouncements recently adopted

- Financial instruments - credit losses
    - We adopted the new standard for credit losses effective January 1, 2020, which amends the impairment model of financial instruments to require the immediate recognition of expected losses rather than incurred losses. In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326). We applied a modified retrospective approach where the cumulative effect adjustment is recognized to the opening balance of equity as at January 1, 2020. As a result, we were not required to adjust our comparative period financial information for the effects of the standard or make the new required credit loss disclosures for the period before the date of adoption. The adoption of this new standard did not have a material impact to the financial statements and there was no adjustment to opening equity at January 1, 2020.
- Fair value measurement
    - Effective January 1, 2020 we adopted the new US GAAP standard for 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. The adoption of this new standard did not have a material impact to the financial statements.
- Internal-use software
    - Effective January 1, 2020 we adopted the new US GAAP standard for 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. The adoption of this new standard did not have an impact to the financial statements.
- Related party guidance for variable interest entities
    - Effective January 1, 2020 we adopted the new US GAAP standard for 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. The adoption of this new standard did not have an impact to the financial statements.

Issued accounting pronouncements not yet adopted

- Debt with conversion and other options
    - In September 2020, the FASB issued ASU 2020-06, Debt - Debt with Conversion and Other Options and Derivatives and Hedging - Contracts in Entity's own Equity. This accounting standard update was issued to address issues identified as a result of the complexity associated with applying GAAP for certain financial instruments with characteristics of liabilities and equity. This standard is effective January 1, 2022 with early adoption permitted. We are assessing the impact that the adoption of this standard may have on our consolidated financial statements.

For a complete discussion of accounting pronouncements, see the "Recent accounting pronouncements" section of our consolidated financial statements for the year ended December 31, 2020 and notes that follow, which sections are expressly incorporated by reference into this MD&A.

Non-GAAP financial measures

"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 in other 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); (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. Senior debt is used primarily for our bank covenants contained in the Credit Facility agreement.

"Invested capital" is defined as total shareholders' equity plus net debt.

"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. 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. 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 expected job scope, value and timing. 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 6 - Revenue" in our financial statements. When the two numbers differ, the variance relates to expected scope where we have a contractual commitment, but the customer has not yet provided specific direction.

“Growth capital” is defined as new or used revenue-generating and customer facing assets which are not intended to replace an existing asset and have been commissioned and are available for use. 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 which have been commissioned and are available for use 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.

“Capital work in progress” is defined growth capital and sustaining capital prior to commissioning and not available for use.

We believe that capital expenditures, net and its components 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, 2020 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, 2020, 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, 2020, 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, 2020, based on criteria established in Internal Control – Integrated Framework (2013) issued by COSO.

Material changes to internal controls over financial reporting

In early 2020, many of our corporate office staff and site administrative staff began working remotely from home due to the COVID-19 pandemic. This change required certain processes and controls that were previously done or documented manually to be completed and retained in electronic form. Despite the changes required by the current environment, there have been no significant changes to our internal controls over financial reporting (“ICFR”) for the period ended December 31, 2020 that have materially affected, or are reasonably likely to affect, our ICFR.

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 certain forward-looking information, based on current plans and expectations, for the purpose of assisting the holders of our securities and financial analysts in understanding our financial position and results of operations as at and for the periods ended on the dates presented, as well as our financial performance objectives, vision and strategic goals. Such forward-looking information may not be appropriate for other purposes. Our forward-looking information 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”, "intend", “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 expectations that the seasonality of oil sands mine support revenues and non-oil sands mine support revenues will continue respectively as they have in the past;
- Our belief that there is minimal risk in the collection of past due trade receivables;
- Our anticipation that we will 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 2021 from existing cash balances, cash provided by operating activities and borrowings under our Credit Facility;
- Statements regarding backlog, including our expectation that $292.1 million of our backlog will be performed over 2021;
- Our belief that we have the contracted work to provide sufficient free cash flow to both de-lever our balance sheet and pursue strategic opportunities;
- Our expectation that that the majority of our revenue will be derived from foundational work linked to oil sands production and contractual commitments;
- Our expectation that we will continue to capitalize on incremental organic growth and will be focusing on geographical and customer diversification as opportunities arise;
- Statements regarding our targets for diversification of EBIT, specifically to have EBIT in 2022 be generated 50% from non-oil sands work;
- Our expectation that adjusted EBITDA and adjusted earnings per share for 2021 will be in the ranges $165 to $205 million and $1.60 to $1.90, respectively;
- Our expectation of focusing our free cash on deleveraging with the majority of 2021 free cash flow to be directed towards debt reduction (in the range of $35 to $45 million);
- Our intention to limit our 2021 sustaining capital expenditures to approximately $90 million to $105 million, net of normal equipment disposals, primarily related to essential capital maintenance and equipment replacement requirements;
- Our belief that our 2021 growth capital spending could range from $5 million to $10 million to capitalize on near-term opportunities related to the strong demand for maintenance and component rebuild services.

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:

- consistent or improved site access restrictions related to COVID-19 safety protocols;
- oil prices remaining stable and not dropping significantly in 2021;
- 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 earth-moving services, including in diversified resources and geographies;
- 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' continued willingness and ability to meet their contractual obligations to us;
- our customers' continued economic viability, including their ability to pay us in a timely fashion;
- 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.
- ***Unit-price Contracts.*** Approximately 47%, 52% and 62% of our revenue for the years ended December 31, 2020, 2019 and 2018, respectively, was derived from unit-price contracts and, to a lesser degree, lump-sum contracts. 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;
- unfavorable 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 these 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 unit-price contracts, or when we incur unrecoverable cost overruns, the related projects may result in lower margins than anticipated or may incur losses, which could adversely affect our results of operations, financial condition and cash flow.

- ***Customer Concentration.*** Most of our revenue comes from the provision of services to a small number of major oil sands mining companies. Revenue from our four largest customers represented approximately 96% and 95% of our total revenue for the years ended December 31, 2020 and 2019, 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. Certain of our long-term contracts can allow our customers to unilaterally reduce or eliminate the work that we are to perform under the contract. Additionally, certain contracts allow the customer to terminate the contract without cause 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.
- ***Cashflow, Liquidity and Debt.*** As of December 31, 2020 we had $429.5 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.
- ***Large Projects and Joint Ventures***. A portion of our revenue is derived from large projects, some of which are conducted through joint ventures. These projects provide opportunities for significant revenue and profit contributions but, by their nature, carry significant risk and, as such, can result in significant losses. The risks associated with such large-scale projects are often proportionate to their size and complexity, thereby placing a premium on risk assessment and project execution. The contract price on large projects is based on cost estimates using several assumptions. Given the size of these projects, if assumptions prove incorrect, whether due to faulty estimates, unanticipated circumstances, or a failure to properly assess risk, profit may be materially lower than anticipated or, in a worst-case scenario, result in a significant loss. The recording of the results of large project contracts can distort revenues and earnings on both a quarterly and an annual basis and can, in some cases, make it difficult to compare the financial results between reporting periods. Joint ventures are often formed to undertake a specific project, jointly controlled by the partners, and are dissolved upon completion of the project. We select our joint venture partners based on a variety of criteria including relevant

expertise, past working relationships, as well as analysis of prospective partners' financial and construction capabilities. Joint venture agreements spread risk between the partners and they generally state that companies will supply their proportionate share of operating funds and share profits and losses in accordance with specified percentages. Nevertheless, each participant in a joint venture is usually liable to the client for completion of the entire project in the event of a default by any of its partners. Therefore, in the event that a joint venture partner fails to perform its obligations due to financial or other difficulties or is disallowed from performing or is otherwise unable to perform its obligations as a result of the client's determination, whether pursuant to the relevant contract or because of modifications to government or agency procurement policies or rules or for any other reason, we may be required to make additional investments or provide additional services which may reduce or eliminate profit, or even subject us to significant losses with respect to the joint venture. As a result of the complexity and size of such projects that we undertake or are likely to undertake going forward, the failure of a joint venture partner on a large complex project could have a significant impact on our results.

- ***Labour Disputes.*** The majority 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 order to minimize this risk, NACG has no strike and no lockout provision in our collective agreements. 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.
- ***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.
- ***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.
- ***Foreign Exchange.*** We regularly transact in foreign currencies when purchasing equipment and spare parts as well as certain general and administrative goods and services. As such, we are exposed to the risk of fluctuations in foreign exchange rates. These exposures are generally of a short-term nature and the impact of changes in exchange rates has not been significant in the past. We may fix our exposure in either the Canadian dollar or the US dollar for these short-term transactions, if material.
- ***Internal Controls.*** Ineffective internal controls over financial reporting could result in an increased risk of material misstatements in our financial reporting and public disclosure record. Inadequate controls could also result in system downtime, give rise to litigation or regulatory investigation, fraud or the inability to continue our business as presently constituted. We have designed and implemented a system of internal controls and a

variety of policies and procedures to provide reasonable assurance that material misstatements in the financial reporting and public disclosures are prevented and detected on a timely basis and that other business risks are mitigated. See the section entitled “Internal Systems and Processes” in our MD&A for further details.

- ***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.
- ***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 $nil 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.
- ***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 material cyber security breach that has had a serious 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 significant 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.
- ***Shifting Customer Priorities Related to Climate Change***. Climate change continues to attract considerable public and regulatory attention, with greenhouse gas emission regulations becoming more commonplace and stringent. The transition to a lower-carbon economy has the potential to be disruptive to traditional business models and investment strategies. 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. Other government restrictions on certain market sectors could also adversely impact current or potential clients resulting in a reduction of available work. Our clients may also alter their long-term plans due to government regulation, changes in policies of investors or lenders or simply due to changes in public perception of their business. This risk can be mitigated to an extent by identifying changing market demands to offset lower demand for some services with opportunities in others, forming strategic partnerships and pursuing sustainable innovations.
- ***Climate Change Related Financial Risks***. As new climate change measures are introduced or strengthened our cost of business may increase as we incur expenses related to complying with environmental regulations and policies. 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. We may also incur costs related to monitoring regulatory trends and implementing adequate compliance processes. Our inability to comply with climate change laws and regulations could result in penalties or reputational damage that may impair our prospects.
- ***Climate Change Related Reputational Risks***. Investors and other stakeholders worldwide are becoming more attuned to climate change action and sustainability matters, including the efforts made by issuers to reduce their carbon footprint. Our reputation may be harmed if it is not perceived by our stakeholders to be sincere in our sustainability commitment and our long-term results may be impacted as a result. In addition, our approach to climate change issues may increasingly influence stakeholders' views of the company in relation to its peers and their investment decisions.
- ***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. If the frequency or severity of such events rises in the future as a result of climate change, our risk and potential impacts will also rise.

- ***Risk Factors Related to COVID-19.*** While markets and economies have somewhat stabilized as governments and industry have implemented measures to mitigate the impacts of the pandemic, the situation continues to evolve. Should the pandemic worsen, we could be subject to additional or continued adverse impacts, including, but not limited to restrictions or limitations on the ability of our employees, contractors, suppliers and customers to conduct business due to quarantines, closures or travel restrictions, including the potential for deferral or cessation of ongoing or planned projects. Estimates and judgements made by management in the preparation of the financial statements are subject to a higher degree of measurement uncertainty during this period. The ultimate duration and magnitude of the pandemic and its financial effect on us is not known at this time. We are continuously monitoring the situation, however, and working with our customers and suppliers to mitigate its effects.

As required by US GAAP, we review our long-lived assets, including property, plant and equipment and identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We detected impairment indicators at March 31, 2020, as a result of the uncertainty in the economic environment, relating to the suppression of commodity prices combined with the impact of the COVID-19 pandemic. We completed an impairment test comparing the net carrying value of our long-lived assets to the estimated undiscounted net cash flows to be generated from use of those assets and concluded that they are recoverable and, as such, no impairment was recorded. At December 31, 2020, there were no indicators, as there had been no material declines in the operating environment or expected financial results as compared to March 31, 2020.

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 17, 2021, 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 17, 2021

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, Joseph Lambert, 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, 2020 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 17, 2021

/s/ Joseph Lambert

Name: Joseph Lambert

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, 2020 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 17, 2021

/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, 2020 (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 17, 2021

/s/ Joseph Lambert

Name: Joseph Lambert

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, 2020 (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 17, 2021

/s/ Jason Veenstra

Name: Jason Veenstra

Title: Chief Financial Officer