North American Energy Partners Inc.
Form 6-K
November 01, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 6-K
Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
under the Securities Exchange Act of 1934
For the month of November 2016
Commission File Number 001-33161
NORTH AMERICAN ENERGY PARTNERS INC.
Suite 300, 18817 Stony Plain Road
Edmonton, Alberta T5S 0C2
(780) 960-7171
(Address of principal executive offices)
Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.
Form 20-F ý Form 40-F o
Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): o
Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): o

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Documents Included as Part of this Report

1. Interim consolidated financial statements of North American Energy Partners Inc. for the three and nine months ended September 30, 2016.
2. Management’s Discussion and Analysis for the three and nine months ended September 30, 2016.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NORTH AMERICAN
ENERGY PARTNERS INC.

By: /s/ Rob Butler
Name: Rob Butler
Title: Vice President, Finance
Date: November 1, 2016

NORTH AMERICAN ENERGY PARTNERS INC.
Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2016
(Expressed in thousands of Canadian Dollars)
(Unaudited)

Interim Consolidated Balance Sheets
(Expressed in thousands of Canadian Dollars)
(Unaudited)

	September 30, 2016	December 31, 2015
Assets		
Current assets		
Cash	$ 23,115	$ 32,351
Accounts receivable	21,685	24,736
Unbilled revenue	14,997	17,565
Inventories	3,276	2,575
Prepaid expenses and deposits	1,862	1,682
Assets held for sale	82	180
	65,017	79,089
Plant and equipment (net of accumulated depreciation of $203,215, December 31, 2015 – $188,398)	249,832	258,752
Other assets	4,971	6,491
Deferred tax assets	13,618	15,845
Total assets	$ 333,438	$ 360,177
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	$ 22,978	$ 25,034
Accrued liabilities	7,759	6,768
Billings in excess of costs incurred and estimated earnings on uncompleted contracts	21	457
Current portion of capital lease obligation	21,383	24,114
Current portion of long term debt (note 4(a))	4,208	5,902
	56,349	62,275
Long term debt (note 4(a))	36,279	42,080
Capital lease obligation	31,833	38,329
Other long term obligations	5,254	3,567
Deferred tax liabilities	40,476	42,308
	170,191	188,559
Shareholders' equity		
Common shares (authorized – unlimited number of voting common shares; issued and outstanding – September 30, 2016 – 31,229,007 (December 31, 2015 – 33,150,281)) (note 7(a))	259,078	275,520
Treasury shares (September 30, 2016 - 2,006,216 (December 31, 2015 - 1,256,803)) (note 7(a))	(8,290)	(5,960)
Additional paid-in capital	41,692	29,527
Deficit	(129,233)	(127,469)
	163,247	171,618
Total liabilities and shareholders' equity	$ 333,438	$ 360,177

See accompanying notes to interim consolidated financial statements.

1

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Interim Consolidated Statements of Operations and
Comprehensive (Loss) Income
(Expressed in thousands of Canadian Dollars, except per share amounts)
(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Revenue	$48,222	$66,807	$150,979	$216,288
Project costs	22,495	30,235	55,581	93,219
Equipment costs	12,045	19,127	41,354	70,438
Depreciation	8,306	10,074	28,093	29,693
Gross profit	5,376	7,371	25,951	22,938
General and administrative expenses	5,487	5,981	19,473	19,560
Loss (gain) on disposal of plant and equipment	20	11	176	(14)
Gain on disposal of assets held for sale	(191)	(82)	(354)	(390)
Amortization of intangible assets	402	507	1,551	1,481
Operating (loss) income before the undernoted	(342)	954	5,105	2,301
Interest expense, net (note 6)	1,411	3,137	4,648	8,322
Foreign exchange loss (gain)	10	19	10	(45)
Loss on debt extinguishment	—	570	—	576
(Loss) income before income taxes	(1,763)	(2,772)	447	(6,552)
Income tax (benefit) expense				
Current	—	(910)	—	—
Deferred	(327)	248	395	206
Net (loss) income and comprehensive (loss) income	(1,436)	(2,110)	52	(6,758)
Per share information				
Net (loss) income - basic & diluted (note 7(b))	$(0.05)	$(0.07)	$0.00	$(0.21)
Cash dividends per share (note 7(d))	$0.02	$0.02	$0.06	$0.06

See accompanying notes to interim consolidated financial statements.

2

Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in thousands of Canadian Dollars)
(Unaudited)

	Common shares	Treasury shares	Additional paid-in capital	Deficit	Total
Balance at December 31, 2014	$290,800	$(3,685)	$19,866	$(117,402)	$189,579
Net loss	—	—	—	(6,758)	(6,758)
Exercised options	137	—	(55)	—	82
Stock-based compensation	—	99	1,250	—	1,349
Dividends	—	—	—	(1,954)	(1,954)
Share purchase program	(12,217)	—	7,114	—	(5,103)
Purchase of treasury shares for settlement of certain equity classified stock-based compensation	—	(2,347)	—	—	(2,347)
Balance at September 30, 2015	$278,720	$(5,933)	$28,175	$(126,114)	$174,848
Balance at December 31, 2015	$275,520	$(5,960)	$29,527	$(127,469)	$171,618
Net income	—	—	—	52	52
Exercised options	60	—	(24)	—	36
Stock-based compensation	—	201	1,702	—	1,903
Dividends (note 7(d))	—	—	—	(1,816)	(1,816)
Share Purchase Program (note 7(c))	(16,502)	—	10,487	—	(6,015)
Purchase of treasury shares for settlement of certain equity classified stock-based compensation (note 7(a))	—	(2,531)	—	—	(2,531)
Balance at September 30, 2016	$259,078	$(8,290)	$41,692	$(129,233)	$163,247

See accompanying notes to interim consolidated financial statements.

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Interim Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian Dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Cash provided by (used in):				
Operating activities:				
Net (loss) income	$(1,436)	$(2,110)	$52	$(6,758)
Adjustments to reconcile to net cash from operating activities:				
Depreciation	8,306	10,074	28,093	29,693
Amortization of intangible assets	402	507	1,551	1,481
Amortization of deferred financing costs (note 6)	153	1,352	509	1,854
Loss (gain) on disposal of plant and equipment	20	11	176	(14)
Gain on disposal of assets held for sale	(191)	(82)	(354)	(390)
Loss on debt extinguishment	—	570	—	576
Stock-based compensation expense	520	730	3,277	1,081
Cash settlement of stock-based compensation	—	(304)	(1,021)	(1,557)
Other adjustments to cash from operating activities	23	23	72	(39)
Deferred income tax expense (benefit)	(327)	248	395	206
Net changes in non-cash working capital (note 8(b))	464	3,943	3,191	38,474
	7,934	14,962	35,941	64,607
Investing activities:				
Purchase of plant and equipment	(9,161)	(6,451)	(14,484)	(19,980)
Additions to intangible assets	—	(214)	(162)	(739)
Proceeds on disposal of plant and equipment	11	—	4,561	101
Proceeds on disposal of assets held for sale	1,110	238	1,596	30,386
	(8,040)	(6,427)	(8,489)	9,768
Financing activities:				
Repayment of Credit Facility	(1,071)	(357)	(4,891)	(5,893)
Increase in Credit Facility	9,962	30,000	16,962	30,000
Financing costs	(74)	(665)	(99)	(665)
Redemption of Series 1 Debentures	(10,000)	(38,121)	(19,927)	(39,382)
Proceeds from option exercised	11	—	36	83
Dividend payments (note 7(d))	(597)	(649)	(1,231)	(2,005)
Share purchase program (note 7(c))	(915)	(461)	(6,015)	(5,103)
Purchase of treasury shares for settlement of certain equity classified stock-based compensation (note 7(a))	(538)	(58)	(2,531)	(2,347)
Repurchase of shares to satisfy tax-withholding requirements upon settlement of certain equity classified stock-based compensation (note 7(a))	(105)	—	(105)	—
Repayment of capital lease obligations	(6,178)	(5,705)	(18,887)	(16,828)
	(9,505)	(16,016)	(36,688)	(42,140)
(Decrease) increase in cash	(9,611)	(7,481)	(9,236)	32,235
Cash, beginning of period	32,726	40,672	32,351	956
Cash, end of period	$23,115	$33,191	$23,115	$33,191

Supplemental cash flow information (note 8(a))
See accompanying notes to interim consolidated financial statements.

4

Notes to Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2016
(Expressed in thousands of Canadian Dollars, except per share amounts or unless otherwise specified)

1) Nature of operations

North American Energy Partners Inc. ("the Company") provides a wide range of mining and heavy construction services to customers in the resource development and industrial construction sectors, primarily within Western Canada.

2) Basis of presentation

These unaudited interim consolidated financial statements are prepared in accordance with United States generally accepted accounting principles ("US GAAP") for interim financial statements and do not include all of the disclosures normally contained in the Company’s annual consolidated financial statements and as such these interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2015.

The Company's full-year results are not likely to be a direct multiple of any particular quarter or combination of quarters due to seasonality. The Company's mining revenues are typically highest in the first quarter of each year as ground conditions are most favorable for this type of work in the Company's operating regions while the Company's civil construction revenues are typically highest during the third and fourth quarter, as weather conditions are most favorable for this type of work during these seasons. The Company's mining activity declines near the end of the first quarter and through a large portion of the second quarter, as weather conditions make operations in the Company’s operating regions difficult. The duration of this period is referred to as “spring breakup”, as frost leaves the ground and many secondary roads are temporarily rendered incapable of supporting the weight of heavy equipment. In addition to revenue variability, gross profit margins can be negatively affected in less active periods because the Company is likely to incur higher maintenance and repair costs due to its equipment being available for servicing.

For the second quarter of this year, beyond the typical revenue decline from spring break-up, on May 3, 2016, the Company was forced to temporarily shutdown its operations in the oil sands due to a large wildfire that was threatening the region and triggered an evacuation of the town of Fort McMurray. The wildfire and related evacuation caused most oil sands producers to curtail operations or initiate a shutdown of their site and processing operations due to the approaching fire, poor air quality in the region and a focus on ensuring the safety of their workers and their displaced families. The Company's return to full summer operating activity was limited by its customers' operational restart progress which extended beyond the second quarter into the third quarter of this year.

3) Recent accounting pronouncements

a) Accounting pronouncements recently adopted

i) Interest - Imputation of Interest

Effective January 1, 2016, the Company adopted the Financial Accounting Standards Board ("FASB") ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30: Simplifying the Presentation of Debt Issuance Costs) and ASU No. 2015-15, Imputation of Interest (Subtopic 835-30: Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements), which require debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability. However, for line-of-credit arrangements, entities may defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. Amortization of the debt issuance costs are to be reported as interest expense. The adoption of this standard did not have a material effect on the Company's consolidated financial statements.

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ii) Compensation - Stock Compensation

In May 2014, the FASB issued ASU No. 2014-12, Compensation-Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. This accounting standard update requires that performance targets affecting vesting of stock awards which could be achieved after the requisite service period be treated as a performance condition. Currently, US GAAP does not provide specific guidance regarding treatment of performance targets that could be achieved after the service period. This standard was adopted January 1, 2016 and the adoption did not have a material effect on the Company's consolidated financial statements.

b) Issued accounting pronouncements not yet adopted

i) Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). This accounting standard updates the revenue recognition to require that entities recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU provides specific steps that entities should apply to recognize revenue. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606), Deferral of the Effective Date which defers the effective date of ASU No. 2014-09 for all entities by one year, making these ASUs effective commencing January 1, 2018. The Company is currently assessing the effect the adoption of this standard will have on its consolidated financial statements.

ii) Financial Instruments - Overall

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10: Recognition and Measurement of Financial Assets and Financial Liabilities) enhancing the reporting model for financial instruments. Under the new standard, equity investments, excluding those accounted for under the equity method or resulting in consolidation of the investee are to be measured at fair value with the changes in fair value recognized in net income. The ASU requires a qualitative assessment to identify impairments of equity investments without readily determinable fair value. The new standard also amends disclosure requirements and requires separate presentation of financial assets and liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements. The amendments also clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for sale securities in combination with the entity's other deferred tax assets. This ASU will be effective commencing January 1, 2018, with early adoption permitted. The adoption of this standard is not expected to have a material effect on the Company's consolidated financial statements.

iii) Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which improves transparency and comparability among organizations by requiring lessees to recognize a lease liability and a corresponding lease asset for substantially all lease contracts. Currently, only capital leases are recorded on the balance sheet. This update will also require the lessee to recognize a lease liability equal to the present value of the lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term for all leases longer than 12 months. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and liabilities and recognize the lease expense for such leases generally on a straight-line basis over the lease term. It also requires additional disclosures about leasing arrangements. This ASU will be effective commencing January 1, 2019, with early adoption permitted. The Company is currently assessing the effect the adoption of this standard will have on its consolidated financial statements.

iv) Compensation - Stock Compensation

In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718: Improvements to Employee Share-Based Payment Accounting). This accounting standard simplifies several aspects of the accounting for share-based payment transactions including income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. This ASU will be effective commencing January 1, 2017, with early adoption permitted. The adoption of this standard is not expected to have a material effect on the Company's consolidated financial statements.

6

v) Statement of Cash Flows

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230: Classification of Certain Cash Receipts and Cash Payments). This accounting standard is intended to clarify how companies present and classify certain cash receipts and cash payments in the statement of cash flows. This ASU will be effective commencing January 1, 2018, with early adoption permitted. The adoption of this standard is not expected to have a material effect on the Company's consolidated financial statements.

4) Long term debt

a) Long term debt amounts are as follows:

Current:

	September 30, 2016	December 31, 2015
Credit Facility (note 4(b))	$ 4,284	$ 5,962
Less: deferred financing costs	(76)	(60)
	$ 4,208	$ 5,902

Long term:

	September 30, 2016	December 31, 2015
Credit Facility (note 4(b))	$ 36,359	$ 22,610
Series 1 Debentures (note 4(c))	—	19,927
Less: deferred financing costs	(80)	(457)
	$ 36,279	$ 42,080

b) Credit Facility

	September 30, 2016	December 31, 2015
Term Loan	$ 29,643	$ 28,572
Revolver	11,000	—
Total Credit Facility	40,643	28,572
Less: current portion	(4,284)	(5,962)
	$ 36,359	$ 22,610

On July 8, 2015, the Company entered into the Sixth Amended and Restated Credit Agreement ("the Credit Facility") with the existing banking syndicate. The Credit Facility matures on September 30, 2018. The Credit Facility allows borrowing of up to $100.0 million, contingent upon the value of the borrowing base. The Credit Facility is composed of a $70.0 million revolving loan (the "Revolver") and a $30.0 million term loan ("Term Loan"). The Credit Facility provides a borrowing base, which is determined by the value of account receivables, inventory, unbilled revenue and plant and equipment.

The Term Loan is to be repaid based on an 84 month amortization schedule and prepaid by an annual sweep of the lesser of 25% of consolidated excess cash flow as defined in the Credit Facility and $4.0 million at any time when the outstanding principal under the Term Loan is equal to or greater than $18.0 million. The 2015 annual sweep calculation identified the requirement for the Company to make a $1.7 million accelerated repayment on the Term Loan on April 29, 2016.

On April 4, 2016, the Company signed the First Amending Agreement to the Sixth Amended and Restated Credit Agreement. The amendment formalized consent previously received to redeem up to $10.0 million of the outstanding principal balance of the Series 1 Debentures on or before May 31, 2016 and increased the Company's capital lease limit, prescribed within the Credit Facility, from $75.0 million to $90.0 million.

On August 26, 2016, the Company entered into the Second Amending Agreement to the Sixth Amended and Restated Credit Agreement (the “Credit Facility”) to allow for the redemption of $10.0 million of the outstanding principal balance of the 9.125% Series 1 Debentures on or before September 30, 2016 using a $6.0 million drawn from the Term Loan, equivalent to the previously repaid amount of the original $30.0 million Term Loan,

7

complimented with borrowings from the Revolver. The amendment also temporarily adjusted the covenants under the terms of the Credit Facility. The Senior Leverage Ratio is to be maintained at less than 3.5:1 through June 30, 2017 and thereafter reduced to a ratio of less than 3.0:1, while the Fixed Charge Cover Ratio is to be maintained at a ratio greater than 1.0:1 except for the quarter ending March 31, 2017 where a ratio greater than 0.9:1 will be permitted. As at September 30, 2016, the Company was in compliance with the covenants.

As of September 30, 2016, the Revolver had $0.8 million in issued letters of credit and an unpaid balance of $11.0 million and the Term Loan had an unpaid balance of $29.6 million. The September 30, 2016 borrowing base allowed for a maximum draw of $80.9 million. At September 30, 2016, the Company's unused borrowing availability under the Revolver was $39.5 million.

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. In each case, the applicable pricing margin depends on the Company's Total Debt to trailing 12-month Consolidated EBITDA ratio as defined in the Credit Facility. The Credit Facility is secured by a first priority lien on all of the Company's existing and after-acquired property.

c) Series 1 Debentures

On September 30, 2016, the Company redeemed the remaining $10.0 million outstanding balance of the Series 1 Debentures. Holders of record at the close of business on September 26, 2016 had their Series 1 Debentures redeemed for 100% of the principal amount, plus accrued and unpaid interest. The Series 1 Debentures bore interest of 9.125% and were scheduled to mature on April 7, 2017. Interest was payable in equal installments semi-annually in arrears on April 7 and October 7 in each year.

On April 27, 2016, the Company redeemed $9.9 million of the Series 1 Debentures. Holders of record at the close of business on April 22, 2016 had their Series 1 Debentures redeemed on a pro rata basis for 100% of the principal amount, plus accrued and unpaid interest.

5) Fair value measurements

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

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

The fair value of amounts due under the Credit Facility are based on management estimates which are determined by discounting cash flows required under the instruments at the interest rate currently estimated to be available for instruments with similar terms. Based on these estimates, and by using the outstanding balance of $40.6 million at September 30, 2016 and $28.6 million at December 31, 2015, the fair value amounts due under the Credit Facility are not significantly different than the carrying value.

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

		September 30, 2016		December 31, 2015	
	Fair Value Hierarchy Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Capital lease obligations (i)	Level 2	$53,216	$50,031	$62,443	$57,976
Series 1 Debentures (ii)	Level 1	$—	$—	$19,927	$19,927

(i) The fair values of amounts due under capital leases are based on management estimates which are determined by discounting cash flows required under the instruments at the interest rates currently estimated to be available for instruments with similar terms.

(ii) The fair value of the Series 1 Debentures is based upon the period end market price.

6) Interest expense, net

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Interest on capital lease obligations	$705	$728	$2,184	$2,396
Amortization of deferred financing costs	153	1,352	509	1,854
Interest on Credit Facility	383	248	1,140	668
Interest on Series 1 Debentures	230	879	977	3,534
Interest on long term debt	$1,471	$3,207	$4,810	$8,452
Other interest income	(60)	(70)	(162)	(130)
	$1,411	$3,137	$4,648	$8,322

7) Shares

a) Common shares

Issued and outstanding:

The Company is authorized to issue an unlimited number of voting and non-voting common shares.

	Common shares	Treasury shares	Common shares outstanding, net of treasury shares
Voting common shares			
Number of common shares outstanding as at December 31, 2015	33,150,281	(1,256,803)	31,893,478
Issued upon exercise of stock options	13,340	—	13,340
Purchase of treasury shares for settlement of certain equity classified stock-based compensation	—	(793,556)	(793,556)
Settlement of certain equity classified stock-based compensation	—	71,979	71,979
Repurchase of shares to satisfy tax-withholding requirements upon settlement of certain equity classified stock-based compensation	—	(27,836)	(27,836)
Retired through the share purchase program (note 7(c))	(1,934,614)	—	(1,934,614)
Issued and outstanding at September 30, 2016	31,229,007	(2,006,216)	29,222,791

On June 12, 2014, the Company entered into a trust fund agreement whereby the trustee will purchase and hold common shares, which were classified as treasury shares on our consolidated balance sheet, until such time that units issued under certain stock-based compensation plans are to be settled.

b) Net (loss) income per share

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Net (loss) income	$(1,436)	$ (2,110)	$52	$ (6,758)
Weighted average number of outstanding common shares	29,387,719	32,378,736	30,422,362	32,960,341
Dilutive effect of treasury shares	—	—	2,006,216	—
Dilutive effect of stock options	—	—	2,224	—
Weighted average number of diluted common shares	29,387,719	32,378,736	32,431,312	32,960,341

Basic net (loss) income per share	$(0.05)	$(0.07)	$0.00	$(0.21)
Diluted net (loss) income per share	$(0.05)	$(0.07)	$0.00	$(0.21)

For the three and nine months ended September 30, 2016, there were 1,264,780 stock options and 2,006,216 treasury shares and 636,422 stock options and nil treasury shares, respectively, that were anti-dilutive and therefore were not considered in computing diluted earnings per share (both the three and nine months ended September 30, 2015 – 1,463,000 stock options and 1,248,579 treasury shares, respectively, were anti-dilutive).

c) Share purchase program

On August 9, 2016, the Company commenced a normal course issuer bid in Canada through the facilities of the Toronto Stock Exchange ("TSX"), to purchase up to 1,075,968 voting common shares ("the NCIB") that will terminate no later August 7, 2017. As at September 30, 2016, a total of 277,100 common voting shares have been purchased and subsequently cancelled in the normal course resulting in a reduction of $2,381 to common shares and an increase to additional paid-in capital of $1,466.

On March 21, 2016, the Company commenced a NCIB for up to 1,657,514 voting common shares in the United States primarily through the facilities of the New York Stock Exchange ("NYSE"). Such voting common shares represented approximately 5% of the issued and outstanding voting common shares as of March 14, 2016. In May 2016, the Company completed the share purchase program cancelling 1,657,514 voting common shares resulting in a reduction of $14,121 to common shares and an increase to additional paid-in capital of $9,021.

On December 18, 2014, the Company commenced a NCIB purchasing and subsequently canceling 1,771,195 voting common shares, in the United States primarily through the facilities of the NYSE. Such voting common shares represented approximately 5% of the issued and outstanding voting common shares as of December 10, 2014. During the nine months ended September 30, 2015, the Company purchased and subsequently cancelled 1,271,195 voting common shares resulting in a reduction of $10,917 to common shares and an increase to additional paid-in capital of $6,284. As at September 30, 2015, a total of 1,771,195 common shares have been purchased and subsequently cancelled in the normal course.

d) Dividends

On July 28, 2016, the Company declared its third quarter 2016 dividend of $0.02 per share payable to shareholders of record as of August 31, 2016. At September 30, 2016, the dividend payable of $585 was included in accrued liabilities and was subsequently paid to shareholders on October 7, 2016. On October 31, 2016, subsequent to the reporting period, the Company declared a fourth quarter dividend of $0.02 per common share, payable to common shareholders of record on November 30, 2016. The dividend will be paid on January 6, 2017.

On May 3, 2016, the Company declared its second quarter 2016 dividend of $0.02 per share totaling $597 which was paid on July 8, 2016 to shareholders of record as of May 31, 2016.

On February 16, 2016, the Company declared its first quarter 2016 dividend of $0.02 per share totaling $634 which was paid on April 8, 2016 to shareholders of record as of March 4, 2016.

8) Other information

a) Supplemental cash flow information

	Three months ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Cash paid during the period for:				
Interest	$1,532	$2,380	$4,759	$7,244
Cash received during the period for:				
Interest	61	70	163	161
Non-cash transactions:				
Addition of plant and equipment by means of capital leases	21	—	9,660	2,762
Reclass from plant and equipment to assets held for sale	(509)	(521)	(1,144)	(919)
Non-cash working capital exclusions:				
Decrease in inventory resulting from reclassification to plant and equipment	—	(385)	—	(1,128)
Net increase (decrease) in accounts payable related to purchase of plant and equipment	—	972	—	(3,942)
Net decrease in accounts payable related to change in the lease inducement payable on the sublease	—	—	—	(107)
Net (decrease) increase in accrued liabilities related to the current portion of the deferred gain on sale leaseback	(252)	—	106	—
Net increase (decrease) in accrued liabilities related to current portion of RSU liability	—	42	(671)	(265)
Net decrease in accrued liabilities related to current portion of DSU liability	—	(325)	—	(408)
Net decrease in accrued liabilities related to the current portion of the senior executive stock options	—	—	—	(22)
Net (decrease) increase in accrued liabilities related to dividend payable	(11)	(3)	585	(51)

b) Net change in non-cash working capital

	Three months ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Operating activities:				
Accounts receivable	$(11,559)	$(1,067)	$3,051	$38,641
Unbilled revenue	(3,327)	6,225	2,568	25,020
Inventories	401	30	(701)	3,973
Prepaid expenses and deposits	518	1,508	(206)	291
Accounts payable	12,687	(1,892)	(2,056)	(28,068)
Accrued liabilities	1,744	(1,911)	971	(2,620)
Billings in excess of costs incurred and estimated earnings on uncompleted contracts	—	1,050	(436)	1,237
	$464	$3,943	$3,191	$38,474

9) Customers

The Company's top five customers represent 99% of total revenues for both the three and nine months ended September 30, 2016 (the same five customers represented 87% and 90% of total revenues for the three and nine months ended September 30, 2015, respectively).

10) Claims revenue

Due to the timing of receipt of signed change orders, the Company recognized claims revenue to the extent of costs incurred of $429 for both three and nine months ended September 30, 2016 (three and nine months ended September 30, 2015 - $4,078 and $4,442, respectively). Claims revenue classified as unbilled revenue at September 30, 2016 was $7,517 (December 31, 2015 - $7,088).

11) Related party transactions
On July 14, 2016, the Company appointed a new member to the board of directors. The director is currently the President and Chief Executive Officer of Corval Energy Ltd, which is a subtenant of the Company with respect to certain office space located in Calgary, pursuant to a Sublease Agreement that is dated on November 2, 2012 (the "Sublease") for a term of November 1, 2012 to January 30, 2022. The Sublease was entered into in the ordinary course of business more than three years prior to the directors' appointment and is at fair market rates negotiated by the parties acting at arm's length.

For both the three and nine months ended September 30, 2016, the Company received $87 in this related party transaction since the directors' appointment. The Company does not consider the Sublease to be material from a financial perspective.

Table of Contents

Management's Discussion and Analysis
For the three and nine months ended September 30, 2016

A. EXPLANATORY NOTES

November 1, 2016

The following Management's Discussion and Analysis ("MD&A") is as of November 1, 2016 and should be read in conjunction with the attached unaudited interim consolidated financial statements for the three and nine months ended September 30, 2016 and notes that follow. These statements have been prepared in accordance with United States ("US") generally accepted accounting principles ("GAAP"). Except where otherwise specifically indicated, all dollar amounts are expressed in Canadian dollars. This interim MD&A should also be read in conjunction with the audited consolidated financial statements and notes that follow for the year ended December 31, 2015, together with our annual MD&A for the year ended December 31, 2015. The consolidated financial statements and additional information relating to our business, including our most recent Annual Information Form, are available on the Canadian Securities Administrators' SEDAR System at www.sedar.com, the Securities and Exchange Commission's website at www.sec.gov and our company website at www.nacg.ca.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

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

NON-GAAP FINANCIAL MEASURES

A non-GAAP financial measure is generally defined by the Securities and Exchange Commission ("SEC") and by the Canadian 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. In our MD&A, we use non-GAAP financial measures such as "gross profit", "gross profit margin", net income before interest expense, income taxes, depreciation and amortization ("EBITDA"), "Consolidated EBITDA" (as defined in our Sixth Amended and Restated Credit Agreement, the "Credit Facility"), "Piling Business EBITDA", "Total Debt" and "Free Cash Flow". Where relevant, particularly for earnings-based measures, we provide tables in this document that reconcile non-GAAP measures used to amounts reported on the face of the consolidated financial statements.

Gross profit

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

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

EBITDA and Consolidated EBITDA

"Consolidated EBITDA" is defined as EBITDA, excluding the effects of unrealized foreign exchange gain or loss, realized and unrealized gain or loss on derivative financial instruments, non-cash stock-based compensation expense, gain or loss on disposal of plant and equipment, gain or loss on disposal of assets held for sale and certain other non-cash items included in the calculation of net income.

2

NOA

We believe that Consolidated EBITDA is a meaningful measure of business performance because it excludes interest, income taxes, depreciation and amortization that are not directly related to the operating performance of our business. Management reviews Consolidated EBITDA to determine whether plant and equipment are being allocated efficiently. In addition, our Credit Facility requires us to maintain both a fixed charge coverage ratio and a senior leverage ratio which are calculated using Consolidated EBITDA from continuing operations. Non-compliance with these financial covenants could result in a requirement to immediately repay all amounts outstanding under our Credit Facility.

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

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

Consolidated EBITDA excludes unrealized foreign exchange gains and losses and realized and unrealized gains and losses on derivative financial instruments, which, in the case of unrealized losses, may ultimately result in a liability that needs to be paid and in the case of realized losses, represents an actual use of cash during the period.

Piling Business EBITDA

As part of the sale of our Piling related assets and liabilities, as discussed in "Financial Results - Contingent Proceeds", we may receive contingent proceeds based on certain annual and cumulative profitability thresholds being achieved from the use of the assets and liabilities over the three years subsequent to the sale. The calculation of the actual profitability performance, for the purpose of determining the contingent proceeds that we should receive, is defined in the purchase and sale agreement using substantially our definition of Consolidated EBITDA, as defined above, as it applies to the Piling business with a limit placed on incremental corporate G&A costs that can be included in the determination of such EBITDA (the "Piling Business 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. "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 "Consolidated EBITDA margin".

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

Total Debt

"Total Debt" is defined as the sum of the outstanding principal balance (current and long-term portions) of: (i) capital leases; (ii) borrowings under our Credit Facility (excluding outstanding Letters of Credit); (iii) Series 1 Senior Unsecured Debentures due 2017 (the "Series 1 Debentures"); and (iv) hedges or swap liabilities. Total Debt is used in the pricing grid of our Credit Facility which uses a Total Debt and outstanding Letters of Credit to trailing 12-month Consolidated EBITDA ratio to determine the pricing level for borrowing and standby fees under the facility. We believe Total Debt is a meaningful measure in understanding our complete debt obligations.

Net Debt

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

Free Cash Flow

"Free cash flow" is defined as cash from operations less cash used in investing activities (excluding cash used for growth capital expenditures and cash used for / provided by acquisitions). We feel free cash flow is a relevant measure of cash available to service our Total Debt repayment commitments, pay dividends, fund share purchases and fund both growth capital expenditures and potential strategic initiatives.

B. SIGNIFICANT BUSINESS EVENTS

Fort McMurray Wildfire

On May 3, 2016, a major wildfire caused the largest evacuation in Alberta’s history as over 88,000 residents were forced to evacuate the town of Fort McMurray. It is estimated that the fire halted approximately one quarter of Canada’s oil production, equivalent to roughly 1.5 million barrels a day of bitumen and synthetic crude oil. The total lost production is estimated to be close to 28 million barrels and could cost the industry upwards of $1.5 billion. Residents of Fort McMurray were only permitted back to their homes in a staged re-entry starting June 1st. The fire was finally contained on July 4th, however it will take much longer for the residents of Fort McMurray to work through the process of rebuilding their community.

We did not incur any significant losses to our equipment or facilities in Fort McMurray, however our summer mine support activities in the third quarter reflect our customers' slower than expected operational re-start schedule. Mine sites located close to Fort McMurray, such as the Mildred Lake, Aurora, Millennium and Steepbank mines, are more dependent on local workers and were slower to ramp up compared to mine sites farther from Fort McMurray such as the Kearl and Horizon mines which depend on a fly-in workforce. Work at the sites closer to Fort McMurray did not restart until early July and in some cases they were deferred to next year.

During this unprecedented period we implemented a series of initiatives to minimize our fixed cost spending where there was flexibility to do so, mitigating the negative impact to our Consolidated EBITDA of suspending our activities and the slow operational re-start by our customers. During the evacuation, we provided displaced employees with over $500,000 in disaster relief payments to help the employees and their families get established in their temporary situation. The lost profitability resulting from the business interruption of this disaster was outside of the scope of our insurance coverage.

Credit Facility

On August 26, 2016, we signed the Second Amending Agreement to the Sixth Amended and Restated Credit Agreement (the "Credit Facility") with our existing banking syndicate. The amendment allowed for the redemption of $10.0 million outstanding principal balance of our Series 1 Debentures, on or before September 30, 2016.

For a complete discussion of the Credit Facility and the Fifth Amended and Restated Credit Agreement (the "Previous Credit Facility") see "Resources and Systems - Credit Facility" in this MD&A.

Redemption of 9.125% Series 1 Debentures

On April 27, 2016, we redeemed approximately $9.9 million of the Series 1 Debentures. Holders of record at the close of business on April 22, 2016 had their Series 1 Debentures redeemed on a pro rata basis for 100% of the principal amount, plus accrued and unpaid interest.

NOA

On September 30, 2016, we redeemed the remaining $10.0 million outstanding balance of our Series 1 Debentures. Holders of record at the close of business on September 26, 2016 had their Series 1 Debentures redeemed for 100% of the principal amount, plus accrued and unpaid interest.

With $17.0 million of the two redemptions being financed through the lower cost Credit Facility, we expect to realize approximately $0.8 million in annual savings on our interest expense from these transactions.s

Normal Course Issuer Bid

On August 9, 2016, we commenced a normal course issuer bid ("NCIB") in Canada through the facilities of the Toronto Stock Exchange ("TSX"), for the purchase and cancellation of up to 1,075,968 voting common shares. Such voting common shares represented 3.4% of the public float (as defined in the TSX Company Manual) and will terminate no later than August 7, 2017.

All purchases of shares on the TSX will be made in compliance with TSX rules. The average daily trading volume of the voting common shares on the TSX for the six calendar months preceding July 31, 2016 was 30,362 voting common shares. In accordance with the TSX rules and subject to the exemption for block purchases, a maximum daily repurchase 25.0% of this average may be made, representing 7,590 voting common shares. The price per share will be based on the market price of such shares at the time of purchase in accordance with regulatory requirements. As at September 30, 2016, a total of 277,100 common voting shares have been purchased and subsequently cancelled in the normal course under the NCIB.

On March 21, 2016, we commenced a NCIB for the purchase and cancellation of up to 1,657,514 voting common shares in the United States primarily through the facilities of the New York Stock Exchange ("NYSE") representing approximately 5.0% of the issued and outstanding voting common shares. We completed the share purchase program in May 2016, cancelling 1,657,514 voting common shares at a weighted average price of US$2.27 per share.

All purchases of shares in the United States were made in compliance with Rule 10b -18 under the U.S. Securities Exchange Act of 1934. The safe harbor conditions of Rule 10b -18 limit the number of shares that can be purchased per day in the United States.

Multiple Use Agreement

In October 2016, we were awarded a multi-year Multiple Use Agreement ("MUA") with a major oil sands operator for the performance of reclamation, overburden removal, mine support services and civil construction activities. The MUA runs through to December 31, 2020 and covers services for both oil sands mining and steam assisted, gravity drainage ("SAGD") projects on all the oil sands operator's sites in the Alberta oil sands. We had previously performed mine support and construction services for this oil sands operator under a 5-year master services agreement that covered one base oil sands mining operation, whereas the new MUA incorporates a second oil sands mining operation being constructed (estimated late 2017 production) and an additional operating SAGD site.

Red River Valley Alliance

In October 2016, the Red River Valley Alliance, a consortium including Acciona[1], Shikun Binui[2], InfraRed Capital Partners[3], and North American Enterprises Ltd. (a subsidiary of North American Energy Partners Inc.) was short listed for the Fargo-Moorhead Flood Risk Management Project. The project is based in the flood plains of Fargo, North Dakota and Moorhead, Minnesota, creating a flood diversion for the Red River that flows north into Winnipeg, Manitoba. The Red River Valley Alliance is one of four consortiums short listed for a significant portion (approximately US$800 million), of the estimated US$2.2 billion project.

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[1]Acciona Concesiones S.L is a wholly-owned subsidiary of Acciona S.A. (Guarantor), a company listed on the Spanish IBEX 35 Index. Acciona Concesiones undertakes the development, design, construction, financing, management and operation of transportation and social infrastructure.

[2] Shikun & Binui Concessions USA, Inc. (“SBC USA”) is the U.S. infrastructure development subsidiary of Shikun & Binui Ltd., the Guarantor for SBC USA. SBC USA has proven its ability to secure contracts for P3 projects successfully under various concession schemes - including availability payments and revenue risk concessions - and in various market conditions.

[3] InfraRed Capital Partners Limited is a leading global venture capital firm specializing in infrastructure and real estate investments.

5

C. FINANCIAL RESULTS

Summary of Consolidated Three Months Results

	Three months ended September 30,		
(dollars in thousands, except per share amounts)	2016	2015	Change
Revenue	$48,222	$66,807	$(18,585)
Project costs	22,495	30,235	(7,740)
Equipment costs	12,045	19,127	(7,082)
Depreciation	8,306	10,074	(1,768)
Gross profit[(1)]	$5,376	$7,371	$(1,995)
Gross profit margin[(1)]	11.1%	11.0%	0.1%
Select financial information:			
General and administrative expenses (excluding stock-based compensation)	4,967	5,251	(284)
Stock based compensation expense	520	730	(210)
Operating (loss) income	(342)	954	(1,296)
Interest expense	1,411	3,137	(1,726)
Net loss	(1,436)	(2,110)	674
Net loss margin[(1)]	(3.0)%	(3.2)%	0.2%
EBITDA[(1)]	8,356	10,946	(2,590)
Consolidated EBITDA[(1)]	9,004	12,188	(3,184)
Consolidated EBITDA margin[(1)]	18.7%	18.2%	0.5%
Per share information			
Net loss - basic & diluted	$(0.05)	$(0.07)	$0.02
Cash dividends per share	$0.02	$0.02	$0.00

(1) See "Non-GAAP Financial Measures". A reconciliation of net loss to EBITDA and Consolidated EBITDA is as follows:

	Three months ended September 30,	
(dollars in thousands)	2016	2015
Net loss	$(1,436)	$(2,110)
Adjustments:		
Interest expense	1,411	3,137
Income tax benefit	(327)	(662)
Depreciation	8,306	10,074
Amortization of intangible assets	402	507
EBITDA	8,356	10,946
Adjustments:		
Loss on disposal of plant and equipment	20	11
Gain on disposal of assets held for sale	(191)	(82)
Equity classified stock-based compensation expense	819	743
Loss on debt extinguishment	—	570
Consolidated EBITDA	$9,004	$12,188

Analysis of Consolidated Three Month Results

Revenue

For the three months ended September 30, 2016, revenue was $48.2 million, down from $66.8 million in the same period last year. Revenue was down in the current quarter due to a slower than expected ramp up of our summer work program after the Fort McMurray wildfire which shut down all of our operations in the Fort McMurray area during the previous quarter. Activity in the current quarter included mine support work at the Mildred Lake, Aurora, Millennium and Kearl mines combined with civil construction work at the Mildred Lake, Aurora and Millennium mines. The lower oil sands activity in the quarter was partially mitigated by the start of a new civil dam construction project at the Red Chris Copper mine, located in northwest British Columbia.

Prior year revenue activity included a mine development project at the Kearl mine, mine support work at the Steepbank, Millennium and Kearl mines, civil construction work at the Aurora mine and close out activities on the Highway 63 construction project.

NOA

For more discussion on the Fort McMurray wildfire see "Significant Business Events - Fort McMurray Wildfire" in this MD&A.

Gross profit

For the three months ended September 30, 2016, gross profit was $5.4 million, or 11.1% gross profit margin, down from $7.4 million, or 11.0% gross profit margin, in the same period last year. The lower gross profit was primarily driven by the lower revenue in the current period. We were able to maintain our gross profit margin at an equivalent level to the prior year. This was achieved through temporary cost savings initiatives implemented during the slower than expected ramp up after the wildfire shutdown. These cost savings initiatives included the temporary deferral of some of our preventative maintenance and repair activity typically performed during the quarter to prepare our equipment fleet for winter work.

For the three months ended September 30, 2016, depreciation was $8.3 million, down from $10.1 million in the same period last year due to the lower demand for equipment in the current year.

For more discussion on the Fort McMurray wildfire see "Significant Business Events - Fort McMurray Wildfire" in this MD&A.

Operating (loss) income

For the three months ended September 30, 2016, we recorded an operating loss of $0.3 million, down from $1.0 million operating income recorded for the same period last year. G&A expense, excluding stock-based compensation, was $5.0 million for the quarter, slightly down from $5.3 million for the same period last year. Stock-based compensation expense decreased $0.2 million compared to the prior year.

Net loss

For the three months ended September 30, 2016, we recorded a $1.4 million net loss (basic and diluted loss per share of $0.05), compared to the $2.1 million net loss (basic and diluted loss per share of $0.07) recorded for the same period last year.

Interest expense was $1.4 million for the quarter, down from $3.1 million for the same period last year, primarily due to the redemptions of the Series 1 Debentures and the write-off of related deferred financing costs in prior quarters.

We recorded a $0.3 million net income tax benefit in the current period compared to the $0.7 million net income tax expense recorded in the prior year. The prior year was affected by the reversal of temporary differences.

For a full discussion on our capital structure see "Resources and Systems - Securities and Agreements" in this MD&A.

Summary of Consolidated Nine Month Results

	Nine months ended September 30,		
(dollars in thousands, except per share amounts)	2016	2015	Change
Revenue	$150,979	$216,288	$(65,309)
Project costs	55,581	93,219	(37,638)
Equipment costs	41,354	70,438	(29,084)
Depreciation	28,093	29,693	(1,600)
Gross profit[1]	$25,951	$22,938	$3,013
Gross profit margin[1]	17.2%	10.6%	6.6%
Select financial information:			
General and administrative expenses (excluding stock based compensation)	16,196	18,479	(2,283)
Stock based compensation expense	3,277	1,081	2,196
Operating income	5,105	2,301	2,804
Interest expense	4,648	8,322	(3,674)
Net income (loss)	52	(6,758)	6,810
Net income (loss) margin[1]	0.0%	(3.1)%	3.1%
EBITDA[1]	34,739	32,944	1,795
Consolidated EBITDA[1]	36,569	35,078	1,491
Consolidated EBITDA margin[1]	24.2%	16.2%	8.0%
Per share information			
Net income (loss) - basic & diluted	$0.00	$(0.21)	$0.21
Cash dividends per share	$0.06	$0.06	$0.00

(1) See "Non-GAAP Financial Measures". A reconciliation of net income (loss) to EBITDA and Consolidated EBITDA is as follows:

	Nine months ended September 30,	
(dollars in thousands)	2016	2015
Net income (loss)	$52	$(6,758)
Adjustments:		
Interest expense	4,648	8,322
Income tax expense	395	206
Depreciation	28,093	29,693
Amortization of intangible assets	1,551	1,481
EBITDA	34,739	32,944
Adjustments:		
Loss (gain) on disposal of plant and equipment	176	(14)
Gain on disposal of assets held for sale	(354)	(390)
Equity classified stock-based compensation expense	2,008	1,606
Loss on debt extinguishment	—	576
Equity in loss of unconsolidated joint venture	—	356
Consolidated EBITDA	$36,569	$35,078

Analysis of Consolidated Nine Month Results

Revenue

For the nine months ended September 30, 2016, revenue was $151.0 million, down from $216.3 million in the same period last year. The decrease in revenue is primarily due to the shutdown of all our operations in the Fort McMurray area on May 3, 2016 due to the Fort McMurray wildfire, combined with the slower than expected ramp up after the wildfire.

Contributing to the lower revenue was the continued effect of low crude pricing on customer spending and unfavorable weather conditions in the first four months of the year, which limited our winter work program to night shifts during certain abnormally warm days. Our current year winter work program consisted of mine support activity at the Kearl, Mildred Lake and Horizon mines combined with overburden removal and tailings pond activities at the Millennium Mine. Reclamation activity at the Aurora mine during the winter works program did not meet the volumes of last year at the Mildred Lake and Horizon mines. The aforementioned slower than expected summer works ramp up was partially mitigated by new civil dam construction work at the Red Chris Copper mine located in northwest British Columbia during the third quarter.

The prior year volumes included a site development project on the Kearl mine that had ramped up to full production early in the prior year and overburden removal activity under a long term contract at the Horizon mine, which was completed June 30, 2015.

Gross profit

For the nine months ended September 30, 2016, gross profit was $26.0 million, or 17.2% of revenue, up from $22.9 million, or 10.6% of revenue in the same period last year. The higher gross profit for the current period offset the impact of our lower volumes. The gross profit margin improvement for the current year benefitted from lower equipment costs driven by improvements to our preventative maintenance program, which increased equipment operating capacity between scheduled equipment servicing. Complimenting these improvements, warmer temperatures during the first four months of the year helped to reduce our idle time and extreme weather breakdown maintenance that is typically experienced during the first three months of the year. In addition, the equipment cost improvement in the period benefited from a below normal amount of preventative maintenance and repair activity performed during the second and third quarters to prepare our equipment fleet for winter work programs, complimented by temporary cost savings initiatives implemented during the wildfire shutdown.

For the nine months ended September 30, 2016, depreciation was $28.1 million, down from $29.7 million in the same period last year. Depreciation expense is comparable, despite a reduction in revenue, due to an increase in demand for our larger capacity equipment fleet during our winter work program, combined with the effect of fixed depreciation charges for certain asset groups which offset the effect of lower equipment demand during the second and third quarters.

Operating income

For the nine months ended September 30, 2016, we recorded operating income of $5.1 million, compared to $2.3 million recorded in the same period last year. G&A expense, excluding stock-based compensation, was $16.2 million, down from $18.5 million last year, reflecting the benefits gained from restructuring and cost-saving initiatives implemented over the past year, partially offset by $0.5 million in restructuring charges and a $1.1 million increase in short-term incentive plan expense. The prior year expense includes $1.4 million in restructuring charges.

Stock-based compensation cost increased $2.2 million compared to the prior year driven by an increase in the share price during the first nine months of the year. The lower prior year cost included a $0.5 million benefit recorded for a reduction in share price during the first nine months of that year.

Net income (loss)

For the nine months ended September 30, 2016, we recorded a $0.1 million net income (basic and diluted income per share of $0.00), compared to a $6.8 million net loss (basic and diluted loss per share of $0.21) recorded for the same period last year.

Interest expense for the nine months ended September 30, 2016 was $4.6 million, down from $8.3 million recorded in the same period last year, primarily due to the redemption of Series 1 Debentures and the write-off of related deferred financing costs in prior year. We recorded a $0.4 million net income tax expense in the current period compared to a $0.2 million net income tax expense recorded in the prior year. The prior year was affected by the increase in the province of Alberta's corporate tax rate, the reversal of temporary differences and the sale of contract equipment fleet to Canadian Natural.

For a full discussion on our capital structure see "Resources and Systems - Securities and Agreements" in this MD&A.

Non-Operating Income and Expense

	Three months ended September 30,			Nine months ended September 30,		
(dollars in thousands)	2016	2015	Change	2016	2015	Change
Interest expense						
Long term debt						
Interest on Series 1 Debentures	$230	$879	$(649)	$977	$3,534	$(2,557)
Interest on Credit Facility	383	248	135	1,140	668	472
Interest on capital lease obligations	705	728	(23)	2,184	2,396	(212)
Amortization of deferred financing costs	153	1,352	(1,199)	509	1,854	(1,345)
Interest on long term debt	$1,471	$3,207	$(1,736)	$4,810	$8,452	$(3,642)
Interest income	(60)	(70)	10	(162)	(130)	(32)
Total interest expense	$1,411	$3,137	$(1,726)	$4,648	$8,322	$(3,674)
Foreign exchange loss (gain)	10	19	(9)	10	(45)	55
Income tax (benefit) expense	(327)	(662)	335	395	206	189

Interest expense

Total interest expense was $1.4 million during the three months ended September 30, 2016, down from $3.1 million in the prior year. During the nine months ended September 30, 2016, total interest expense was $4.6 million down from $8.3 million in the prior year.

Interest on our Series 1 Debentures dropped to $0.2 million and $1.0 million, respectively during the three and nine months ended September 30, 2016 from $0.9 million and $3.5 million in the respective corresponding prior year periods. The reduction is a result of the redemption of $67.5 million of Series 1 Debentures since the end of the second quarter of last year.

Interest on our Credit Facility increased to $0.4 million and $1.1 million, respectively during the three and nine months ended September 30, 2016 from $0.2 million and $0.7 million in the respective corresponding prior year periods. The increase in current year interest is related to the initial $30.0 million borrowing under the Term Loan of our Credit Facility as well as a $7.0 drawdown on our Revolver in April 2016. The impact of the increased borrowing on interest expense was partially offset by reduced pricing negotiated in July 2015.

Interest on capital lease obligations of $0.7 million and $2.2 million in the three and nine months ended September 30, 2016, respectively, was lower than the previous periods. The lower current quarter interest expense resulted from favorable pricing secured during recent lease additions. For a discussion on assets under capital lease see "Resources and Systems - Capital Resources and Use of Cash" in this MD&A.

Amortization of deferred financing costs dropped to $0.2 million and $0.5 million, respectively, during the three and nine months ended September 30, 2016 from $1.4 million and $1.9 million in the respective corresponding periods last year. Deferred financing costs include costs related to the setup of our Series 1 Debentures and our Credit Facility. They are amortized over the life of each respective agreement. There was $0.2 million in write-offs in the current year for the Series 1 Debentures, compared to $0.8 million in partial write-offs of deferred financing costs related to the $39.4 million in partial redemptions of the Series 1 Debentures executed during the prior year.

Foreign exchange loss (gain)

The foreign exchange gains and losses relate primarily to the effect of changes in the exchange rate of the Canadian dollar against the US dollar on purchases of equipment parts. A more detailed discussion about our foreign currency risk can be found under “Quantitative and Qualitative Disclosures about Market Risk – Foreign Exchange Risk”.

Income tax

For the three months ended September 30, 2016, we recorded no current income tax expense and a deferred income tax benefit of $0.3 million, providing a net income tax benefit of $0.3 million. This compares to a combined income tax benefit of $0.7 million recorded for the same period last year.

For the nine months ended September 30, 2016, we recorded no current income tax expense and a deferred income tax expense of $0.4 million. This compares to a combined income tax expense of $0.2 million recorded for

10

the same period last year. The prior year combined income tax expense was negatively affected by the increase in the Alberta corporate tax rate in the second quarter of 2015.

Income tax as a percentage of taxable income for the three and nine months ended September 30, 2016 differs from the statutory rate of 27.00% primarily to due permanent differences resulting from stock-based compensation and book to filing differences. Income tax as a percentage of taxable income for the three and nine months ended September 30, 2015 differs from the statutory rate of 26.00% primarily due to the impact of adjusting deferred tax liabilities to the corporate tax rate increase in the province of Alberta, permanent tax differences resulting from stock-based compensation expense and book to filing differences.

Summary of Consolidated Quarterly Results

As discussed in "Significant Business Events - Fort McMurray Wildfire", the results for the three months ended June 30, 2016 were negatively affected by the shutdown of operations on May 3, 2016 due to the evacuation in Fort McMurray. We were able to return to mines sites further north within two weeks, as the impact from the wildfire and evacuation was limited. Mine sites closer to Fort McMurray took longer to ramp up to expected operational levels, which also negatively affected the results for the three months ended September 30, 2016.

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

- the timing and size of capital projects undertaken by our customers on large oil sands projects;
- changes in the mix of work from earthworks, with heavy equipment, to more labour intensive, light construction projects;
- seasonal weather and ground conditions;
- certain types of work that can only be performed during cold, winter conditions when the ground is frozen;
- the timing of equipment maintenance and repairs;
- the timing of project ramp-up costs as we move between seasons or types of projects;
- claims and change orders; and
- the level of borrowing under our Series 1 Debentures and Credit Facility and the corresponding interest expense recorded against the outstanding balance of each.

The table below summarizes our consolidated results for the preceding eight quarters:

	Three Months Ended							
(dollars in millions, except per share amounts)	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sept 30, 2015	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014
Revenue	$48.2	$24.2	$ 78.5	$65.0	$66.8	$64.4	$85.1	$113.2
Gross profit	5.4	2.1	18.4	9.0	7.4	4.6	11.0	10.1
Operating (loss) income	(0.3)	(5.3)	10.7	0.5	1.0	(0.8)	2.2	1.0
Consolidated EBITDA	9.0	1.7	25.9	13.5	12.2	8.1	14.8	17.0
Net (loss) income	(1.4)	(4.9)	6.4	(0.7)	(2.1)	(4.1)	(0.5)	(2.0)
Net (loss) income per share - basic(i)	$(0.05)	$(0.16)	$ 0.20	$(0.02)	$(0.07)	$(0.13)	$(0.01)	$(0.04)
Net (loss) income per share - diluted(i)	$(0.05)	$(0.16)	$ 0.19	$(0.02)	$(0.07)	$(0.13)	$(0.01)	$(0.04)
Cash dividend per share (ii)	$0.02	$0.02	$ 0.02	$0.02	$0.02	$0.02	$0.02	$0.02

i) Net (loss) income per share for each quarter has been computed based on the weighted average number of shares issued and outstanding during the respective quarter; therefore, quarterly amounts may not add to the annual total. Per-share calculations are based on full dollar and share amounts.

ii) The timing of the payment of the cash dividend per share may differ from the dividend declaration period.

For a full discussion of the factors that can generally contribute to the variations in our quarterly financial results please see “Financial Results – Summary of Consolidated Quarterly Results” in our annual MD&A for the year ended December 31, 2015.

Claims and Change Orders

For the both the three and nine months ended September 30, 2016, due to the timing of receipt of signed change orders, we had approximately $0.4 million in claims revenue recognized to the extent of costs incurred.

As at September 30, 2016, we had $7.5 million of unresolved claims and change orders recorded on our balance sheet. This compares to $7.1 million of unresolved claims and change orders recorded for the year ended December 31, 2015. We are working with our customers in accordance with the dispute resolution terms of our contracts to come to agreement on additional amounts, if any, to be paid to us with respect to these unresolved claims.
For a full discussion on Claims and Change Orders see "Financial Results - Claims and Change Orders" in our most recent MD&A for the year ended December 31, 2015.
Contingent Proceeds
On July 12, 2013, we sold our Canadian based Piling related assets and liabilities and our US based Cyntech US Inc. legal entity (the "Piling sale") to the Keller Group plc (the "Keller Group" or the "Purchaser"). In conjunction with the Piling sale, we have exited the piling, foundation, pipeline anchor and tank services businesses.
As part of the sale we had the opportunity to receive up to $92.5 million in additional proceeds, contingent on the Purchaser achieving prescribed profitability thresholds from the assets and liabilities sold in the three years following the transaction. We have reviewed the first two post-transaction years and verified that the Purchaser had not achieved the prescribed Piling Business EBITDA thresholds. Further, because the third year threshold is cumulative, the failure to meet the thresholds in the first two years makes it very unlikely that thresholds will be met in the third year. As such, we have determined that it is very unlikely that we will realize any of the potential proceeds. We are waiting on the Keller Group to provide their cumulative three year results to confirm our assumptions.s
D. OUTLOOK
The deep and unusually long cyclical downturn in the oil industry is about to enter its third year and the timing of any meaningful recovery is still far from certain. In our view the necessary rebalancing of supply and demand is well underway but the associated rise in oil prices will likely not take place linearly.s
Coincidental with the downturn there has been a change in both the provincial government in Alberta and the federal government. This has layered on additional uncertainty to an already uncertain situation, in which oil sands customers are making spending decisions. A positive feature of this political change though is that we should see significantly increased expenditure on infrastructure projects by both new governments in the medium term.s
In response to the downturn we expect our oil sands customers to continue to grow their production in order to dilute operating costs per barrel.s While it is unlikely that there may be new oil sands mines announced until oil prices are much higher, it is important to note that the planned production increases on existing mines have partially offset recent new mine deferrals, with the planned production increases approximating the equivalent of two or three incremental mines as they were originally conceived. Over the medium to long term this drive for increased production should lead to greater volumes of recurring mine services for us to address.s It is also noteworthy that in addition to the planned production increases, some of our oil sands customers have mentioned that they have reserves and mine plans in excess of 40 years.
In oil sands mining, the wildfires in May had a dramatic negative impact on our operations. Mine sites further from Fort McMurray, such as Kearl and Horizon mines, were least affected, as distance from the core fires and reliance on a fly-in / fly-out workforce limited the impacts. Thus, our work in these areas was minimal for approximately two weeks. However, our operations at sites closer to town which rely more on the local workforce (e.g. Mildred Lake, Aurora, Millennium and Steepbank mines) were more heavily impacted. Work at all these sites did not restart until early July and in some cases they were deferred to next year. Despite this, we are still on target to achieve a similar EBITDA in 2016 as we did last year.s
Looking further ahead we are pleased to have secured a significantly larger volume of winter earthworks, than was available last year. This should gradually ramp up in the fourth quarter and keep us busy through the first quarter of 2017.s We are also delighted to have signed a new Multiple Use Agreement ("MUA") with a major oil sands operator that expands on our previous Master Services Agreement with this operator. Under the new MUA we anticipate being able to compliment the work we have previously performed for this customer on their base oil sands mining operation with work on their SAGD projects and work on their new mine that is estimated to start production in late 2017. This agreement has the potential to underpin our revenues over the next five years.s

In the other resource industries, such as coal, iron ore, base metals, and precious metals, we have seen much increased bidding activity and opportunities. We were successful in winning a summer tailings dam construction job

12

at the Red Chris copper mine in British Columbia, which contributed almost 20% of our revenues in the third quarter and has continued into the fourth quarter. This project represents the first of what we believe will be a stream of future opportunities from our diversification activities in this sector, as commodity pricing and associated development activity improves.s

Our business development work in the infrastructure sector continues and we have received additional partnering requests and opportunities to participate in major infrastructure projects. We were very pleased to recently qualify to bid for the Fargo-Moorhead flood mitigation project, in the northern USA, as part of a strong consortium.

We definitely see the infrastructure sector as a positive opportunity and are actively pursuing both major and minor projects. In major infrastructure projects, we seek to find strong senior partners with megaproject experience looking for an earthworks contractor that has the assets and can put the "boots on the ground" to execute earthworks safely and efficiently. If our partnership is successful in the tender, we look to self-perform the earthworks while also contributing to the overall project management team. In situations where our project team is not awarded the work, we will continue to pursue the opportunity as a potential earthworks subcontractor to the awarded team(s). We believe the project insight and knowledge gained by being a project partner increases our ability to accurately assess risk and price as a subcontractor.s

Our recent debt reduction initiatives, with a focus on lowering our cost of debt, combined with a stronger financial position and improved operating cost structure should provide a stable base to endure the current macroeconomic uncertainties, allowing us to remain competitive in our pricing and providing us with the ability to take advantage of organic growth and acquisition opportunities.s

In summary, we continue to pursue heavy civil construction contracts in the oil sands, along with a series of much broader and more robust major resource projects and infrastructure projects. We are excited about our organic growth potential and believe we can capitalize on it to grow both EBITDA and free cash flow significantly over the next three years.s

E. LEGAL AND LABOUR MATTERS

Laws and Regulations and Environmental Matters

Please see "Laws and Regulations and Environmental Matters—Legal and Labour Matters" in our most recent annual information form ("AIF") for a complete discussion on this topic.

Employees and Labour Relations

As at September 30, 2016, we had approximately 132 salaried employees and approximately 677 hourly employees in our Western Canadian operations. Of the 677 hourly employees, approximately 448 employees are union members and work under collective bargaining agreements. 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 typically ranges in size from 700 employees to approximately 1,600 employees, depending on the time of year, types of work and duration of awarded projects. We also utilize the services of subcontractors in our business. Subcontractors perform an estimated 7.0% to 10.0% of the work we undertake. Staffing levels were below normal levels for the current period due to the May 3, 2016 operational shutdown caused by the evacuation of Fort McMurray due to the wildfires in the region and the slower than expected return to full operating levels by our customers.

The majority of our work is carried out by employees governed by our mining 'overburden' collective bargaining agreement with the International Union of Operating Engineers ("IUOE") Local 955 which ensures labour stability through to 2021. Other collective agreements include the provincial collective agreement between the Operating Engineers and the Alberta 'Roadbuilders and Heavy Construction' Association ("ARBHCA"), which has expired. The parties have agreed to extend the term of the current agreement while negotiations continue and have also agreed to a project-specific term, with a no-strike/no-lockout clause for long-term work. A third collective agreement in effect is specific to work performed in our Acheson maintenance shop between the Operating Engineers and North American Maintenance Ltd., the term of which expires in 2017.

Our relationship with all our employees, both union and non-union, is strong. We have not experienced a strike or lockout, nor do we expect to.s

F. RESOURCES AND SYSTEMS

SUMMARY OF CONSOLIDATED CASH FLOW

	Three months ended			Nine months ended
	September 30,			September 30,
(dollars in thousands)	2016	2015	Change	2016