

Edgar Filing: North American Energy Partners Inc. - Form 6-K

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  Form 40-F

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):

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):

---

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.

## NOA

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.

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.

## NOA

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

	Three months ended		Nine months ended	
	September 30,		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.





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.

NOA

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.



## 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,



## NOA

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
Capital lease obligations <sup>(i)</sup>	Level 2	\$53,216	\$50,031
Series 1 Debentures <sup>(ii)</sup>	Level 1	\$—	\$—
		\$62,443	\$57,976
		\$19,927	\$19,927

The fair values of amounts due under capital leases are based on management estimates which are determined by (i) 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		Nine months ended	
	September 30,		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		Nine months ended	
	September 30,		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	29,378,736	30,422,329	30,960,341
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	29,378,736	32,431,324	30,960,341

Edgar Filing: North American Energy Partners Inc. - Form 6-K

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).

9

---

NOA

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		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 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		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 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.

12

---

NORTH AMERICAN ENERGY PARTNERS INC.  
Management's Discussion and Analysis  
For the three and nine months ended September 30, 2016

---

Table of Contents	
<u>A. EXPLANATORY NOTES</u>	<u>2</u>
<u>B. SIGNIFICANT BUSINESS EVENTS</u>	<u>4</u>
<u>C. FINANCIAL RESULTS</u>	<u>6</u>
<u>D. OUTLOOK</u>	<u>12</u>
<u>E. LEGAL AND LABOUR MATTERS</u>	<u>13</u>
<u>F. RESOURCES AND SYSTEMS</u>	<u>14</u>
<u>G. FORWARD-LOOKING INFORMATION, ASSUMPTIONS AND RISK FACTORS</u>	<u>21</u>
<u>H. GENERAL MATTERS</u>	<u>24</u>

---



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](http://www.sedar.com), the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov) and our company website at [www.nacg.ca](http://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.



## 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 1<sup>st</sup>. The fire was finally contained on July 4<sup>th</sup>, 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.

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<sup>1</sup>, Shikun Binui<sup>2</sup>, InfraRed Capital Partners<sup>3</sup>, 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.

---

<sup>1</sup>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.

<sup>2</sup>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.

<sup>3</sup> 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

(dollars in thousands, except per share amounts)	Three months ended September 30,		
	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 <sup>(1)</sup>	\$5,376	\$7,371	\$(1,995 )
Gross profit margin <sup>(1)</sup>	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 <sup>(1)</sup>	(3.0 )%	(3.2 )%	0.2 %
EBITDA <sup>(1)</sup>	8,356	10,946	(2,590 )
Consolidated EBITDA <sup>(1)</sup>	9,004	12,188	(3,184 )
Consolidated EBITDA margin <sup>(1)</sup>	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

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

(dollars in thousands)	Three months ended September 30,	
	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.

6

---

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

(dollars in thousands, except per share amounts)	Nine months ended September 30,				
	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 <sup>(1)</sup>	\$25,951	\$22,938	\$3,013		
Gross profit margin <sup>(1)</sup>	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 <sup>(1)</sup>	0.0	% (3.1 )	% 3.1	%	
EBITDA <sup>(1)</sup>	34,739	32,944	1,795		
Consolidated EBITDA <sup>(1)</sup>	36,569	35,078	1,491		
Consolidated EBITDA margin <sup>(1)</sup>	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

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

(dollars in thousands)	Nine months ended	
	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 Kears, 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

8

---

NOA

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

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



## NOA

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:

(dollars in millions, except per share amounts)	Three Months Ended							
	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 <sup>(i)</sup>	\$(0.05)	\$(0.16)	\$ 0.20	\$(0.02)	\$(0.07)	\$(0.13)	\$(0.01)	\$(0.04)
Net (loss) income per share - diluted <sup>(i)</sup>	\$(0.05)	\$(0.16)	\$ 0.19	\$(0.02)	\$(0.07)	\$(0.13)	\$(0.01)	\$(0.04)
Cash dividend per share <sup>(ii)</sup>	\$0.02	\$0.02	\$ 0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02

Net (loss) income per share for each quarter has been computed based on the weighted average number of shares i) 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.

11

---

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.

#### 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.

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.

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. 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. 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.

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. 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.

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

---

NOA

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

(dollars in thousands)	Three months ended			Nine months ended		
	September 30,			September 30,		
	2016	2015	Change	2016	2015	Change
Cash provided by operating activities	\$7,934	\$14,962	\$(7,028)	\$35,941	\$64,607	\$(28,666)
Cash (used in) provided by investing activities	(8,040 )	(6,427 )	(1,613 )	(8,489 )	9,768	(18,257 )
Cash used in financing activities	(9,505 )	(16,016 )	6,511	(36,688 )	(42,140 )	5,452
Net (decrease) increase in cash	\$(9,611)	\$(7,481)	\$(2,130)	\$(9,236)	\$32,235	\$(41,471)

## Operating activities

Cash provided (used) from the net change in non-cash working capital specific to operating activities is detailed below.

	Three months ended		Nine months ended			
	September 30,		September 30,			
	2016	2015	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

Cash provided by operating activities for the three months ended September 30, 2016 was \$7.9 million, compared to cash provided by operating activities of \$15.0 million for the three months ended September 30, 2015. The decreased in cash flow in the current period is a result of a lower Consolidated EBITDA in the current period and the realization of only \$0.5 million in cash from the net change of non-cash working capital due to the Fort McMurray wildfire shutdown in the second quarter. Cash flow in the prior period was primarily driven by higher Consolidated EBITDA and a \$3.9 million contribution from the net change in non-cash working capital, resulting from the completion of final project billings and settlement of holdbacks for completed projects.

Cash provided by operating activities for the nine months ended September 30, 2016 was \$35.9 million, compared to cash provided of \$64.6 million for the nine months ended September 30, 2015. The lower cash flow in the current period, despite similar Consolidated EBITDAs recorded in both periods, is a result of the realization of \$3.2 million in cash from the net change in non-cash working capital in the current period compared to a \$38.5 million contribution from the net change in non-cash working capital in the prior period. The significant contribution in the prior period was driven by the completion of final project billings and the settlement of holdbacks for completed projects, along with the settlement of the Canadian Natural contract equipment sale.

## Investing activities

Cash used in investing activities for the three months ended September 30, 2016 was \$8.0 million, compared to cash used in investing activities of \$6.4 million for the three months ended September 30, 2015. Current period investing activities included \$9.2 million for the purchase of plant and equipment, offset by \$1.1 million in proceeds from the disposal of plant and equipment and assets held for sale. Prior year cash used for investing activities of \$6.4 million included \$6.7 million for the purchase of plant and equipment and intangible assets, partially offset by \$0.2 million cash received for the proceeds on the disposal of assets held for sale.

Cash used in investing activities for the nine months ended September 30, 2016 was \$8.5 million, compared to \$9.8 million of cash provided by investing activities for the nine months ended September 30, 2015. Current period investing activities included \$6.2 million in proceeds from the disposal of plant and equipment and assets held for sale, offset by \$14.6 million of cash used for plant, equipment and intangible asset purchases. Prior year investing

NOA

activities included \$30.5 million in proceeds from the disposal of plant and equipment and assets held for sale which was primarily related to the Canadian Natural contract fleet sale. This was partially offset by \$20.7 million of cash used for plant and equipment and intangible asset purchases, which included \$4.9 million for the settlement of fourth quarter 2014 plant and equipment and intangible asset purchases and the buyout of \$2.9 million of operating leases.

Financing activities

Cash used in financing activities during the three months ended September 30, 2016 was \$9.5 million driven by \$10.0 million used for the repurchase of Series 1 Debentures (financed by \$10.0 million in Credit Facility borrowings), \$1.1 million of Credit Facility repayments, \$6.2 million in capital lease obligation repayments, \$0.9 million for the purchase and subsequent cancellation of common shares and \$0.5 million for treasury share purchases. Cash used in financing activities for the three months ended September 30, 2015 was \$16.0 million, primarily resulting from \$38.1 million for the repurchase of Series 1 Debentures (partially financed by a \$30.0 million increase in Credit Facility borrowings), \$5.7 million in capital lease obligation repayments, \$0.5 million for the purchase and subsequent cancellation of common shares and \$0.1 million of treasury share purchases. Cash used in dividend payments were comparable between the two periods.

Cash used in financing activities during the nine months ended September 30, 2016 was \$36.7 million driven by \$19.9 million for the repurchase of Series 1 Debentures (partially financed by \$17.0 million in Credit Facility borrowings), \$4.9 million of Credit Facility repayments, \$18.9 million in capital lease obligation repayments, \$6.0 million for the purchase and subsequent cancellation of common shares, \$2.5 million of treasury share purchases. Cash used in financing activities for the nine months ended September 30, 2015 was \$42.1 million which included \$39.4 million used for the redemption and repurchase of Series 1 Debentures (primarily funded by \$30.0 million increase in Credit Facility borrowings), \$5.9 million of Previous Credit Facility repayments, \$16.8 million in capital lease obligation repayments, \$5.1 million for the purchase and subsequent cancellation of common shares and \$2.3 million of treasury share purchases. Cash used in the current period for dividend payments was \$1.2 million as compared to \$2.0 million in the prior year due to a change in timing of scheduled quarterly dividend payments.

LIQUIDITY

As at September 30, 2016, we had \$23.1 million in cash and \$39.5 million of unused borrowing availability on the Revolver (unused Revolver borrowing availability is limited by the Credit Facility's borrowing base) for a total liquidity of \$62.6 million (defined as cash plus 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 (amended August 26, 2016), our capital lease borrowing is limited to \$90.0 million. As at September 30, 2016 we had \$36.8 million in unused capital lease borrowing availability under the terms of our amended Credit Facility. There are no restrictions within the terms of our Credit Facility for borrowing using operating leases.



## Summary of Consolidated Financial Position

	September 30, 2016	December 31, 2015	Change
Cash	\$23,115	\$32,351	\$(9,236 )
Current working capital assets			
Accounts receivable	\$21,685	\$24,736	\$(3,051 )
Unbilled revenue	14,997	17,565	(2,568 )
Inventories	3,276	2,575	701
Prepaid expenses and deposits	1,862	1,682	180
Assets held for sale	82	180	(98 )
Current working capital liabilities			
Accounts payable	(22,978 )	(25,034 )	2,056
Accrued liabilities	(7,759 )	(6,768 )	(991 )
Billings in excess of costs	(21 )	(457 )	436
Total net current working capital (excluding cash)	\$11,144	\$14,479	\$(3,335 )
Intangible assets	1,784	3,174	(1,390 )
Plant and equipment	249,832	258,752	(8,920 )
Total assets	\$333,438	\$360,177	\$(26,739)
Total long term financial liabilities ‡	(68,192 )	(83,112 )	14,920
Net Debt			
Capital lease obligations (including current portion)	(53,216 )	(62,443 )	9,227
Credit Facility (including current portion) <sup>(1)</sup>	(40,643 )	(28,572 )	(12,071 )
Series 1 Debentures (including current portion) <sup>(1)</sup>	—	(19,927 )	19,927
Total Debt*	(93,859 )	(110,942 )	17,083
Cash	23,115	32,351	(9,236 )
Net Debt*	\$(70,744 )	\$(78,591 )	\$7,847

\* See "Non-GAAP Financial Measures".

‡ Total long-term financial liabilities exclude the current portions of capital lease obligations, long-term lease inducements, asset retirement obligations and both current and non-current deferred income tax balances.

<sup>(1)</sup> Excludes deferred financing costs.

## Current working capital fluctuations effect on liquidity

At September 30, 2016, we had \$0.4 million in trade receivables that were more than 30 days past due compared to \$0.1 million as at December 31, 2015. At September 30, 2016 and at December 31, 2015, we did not have an allowance for doubtful accounts related to our trade receivables. We continue to monitor the credit worthiness of our customers.

Contract change management processes often lead to a timing difference between project disbursements and our ability to invoice our customers for executed change orders. Until the time of invoice, revenue related to unexecuted change orders are recorded as unbilled revenue only to the extent of costs incurred. As at September 30, 2016, we had \$7.5 million of unresolved claims and change orders recorded on our balance sheet (\$7.1 million as at December 31, 2015). For a more detailed discussion on claims revenue refer to "Claims and Change Orders".

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. Accounts receivable and unbilled revenue balances are typically higher at the start of such projects.

Our working capital is also significantly affected by the timing of the completion and the contractual terms of projects. 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.

16

---

## NOA

As at September 30, 2016, holdbacks totaled \$0.7 million, up from \$nil as at December 31, 2015. Holdbacks represented 3.1% of our total accounts receivable as at September 30, 2016. The current year increase in holdbacks represents the timing of construction services projects and the associated substantial completion of work.

## CAPITAL RESOURCES AND USE OF CASH

Our capital resources consist primarily of cash flow provided by operating activities, cash and cash equivalents, borrowings under our Credit Facility and financing through our operating and capital equipment lease facilities. Our primary uses of cash are for capital expenditures, to fulfill debt repayment and interest payment obligations, to fund operating and capital lease obligations, to finance working capital requirements and to pay dividends. When prudent, we have also used cash to repurchase our common shares.

We believe that we have the capital resources to fund our planned annual capital spending program and meet current and future working capital, debt servicing and dividend payment requirements for the remainder of this year from existing cash balances, cash provided by operating activities and borrowings under our Credit Facility.s

Cash used for net capital expenditures (expenditures net of proceeds) for the three and nine months ended September 30, 2016 was \$8.0 million and \$8.5 million, respectively (\$7.4 million and \$15.7 million, respectively for the same periods in 2015). Included in the three and nine months ended September 30, 2016 net capital expenditures was \$3.0 million invested in growth capital expenditures with the balance invested in sustaining capital expenditures. The prior year net capital expenditures amounts were all related to sustaining capital investments and excludes the cash received from the sale of contract-specific assets to Canadian Natural. The net capital expenditures amount excludes proceeds on the buyout and sale of equipment financed through operating leases and changes in non-cash working capital related to investing activities.

In order to maintain a balance of owned and leased equipment, we finance a portion of our heavy construction fleet through capital and operating leases and we continue to lease our motor vehicle fleet through our capital lease facilities. Our sustaining capital additions financed through capital leases during the three and nine months ended September 30, 2016 were \$nil and \$9.7 million, respectively which is primarily related to the replacement of end of life equipment in our existing fleet (three and nine months ended September 30, 2015 - \$nil and \$2.8 million, respectively).

We anticipate our annual net sustaining capital expenditures for 2016 to be approximately \$25.0 million to \$30.0 million, driven by equipment replacement and capital maintenance requirements. We anticipate our annual growth capital expenditures for 2016 to be approximately \$5.0 million, driven by an investment in expanding the haul capacity of certain sizes of our existing heavy haul equipment fleet. We intend to continue leveraging our capital lease facilities to limit the amount of cash used for the equipment replacement requirements.s

For a complete discussion on our capital expenditures, please see "Resources and Systems - Liquidity" in our most recent annual MD&A for the year ended December 31, 2015.

Our principal contractual obligations relate to our long-term debt, capital and operating leases and supplier contracts. The following table summarizes our future contractual obligations, excluding interest payments, unless otherwise noted, as at September 30, 2016.

(dollars in thousands)	Payments due by year ending December 31,					
	Total	2016	2017	2018	2019	2020 and after
Credit Facility <sup>(i)</sup>	29,643	1,071	4,284	24,288	—	—
Revolver	11,000	—	—	11,000	—	—
Capital leases (including interest)	56,694	7,105	21,206	19,120	6,704	2,559
Equipment and building operating leases	23,176	967	3,652	3,620	3,323	11,614
Supplier contracts	4,577	1,405	3,172	—	—	—
Total contractual obligations	\$125,090	\$10,548	\$32,314	\$58,028	\$10,027	\$14,173

<sup>(i)</sup> The Credit Facility bears interest at Canadian prime rate, U.S. Dollar Base Rate, Canadian bankers' acceptance or London interbank offered rate (LIBOR) (all such terms are used or defined in the Credit Facility), plus applicable margins payable monthly.

Our total contractual obligations of \$125.1 million as at September 30, 2016 decreased from \$151.3 million as at December 31, 2015 primarily as a result of the redemption of \$19.9 million of Series 1 Debentures along with

scheduled payments against our Credit Facility, capital leases and building operating leases. This was partially

17

---

offset by \$17.0 million in Credit Facility borrowings. For a full discussion on the Revolver see "Credit Facility", below, and for a discussion on Series 1 Debentures see "Securities and Agreements" below.

We have no off-balance sheet arrangements.

We pay regular quarterly dividends of \$0.02 per share on common shares during the year. On July 28, 2016, we declared a third quarter 2016 dividend of \$0.02 per share totaling \$585. At September 30, 2016, the dividend payable was included in accrued liabilities and was subsequently paid on October 7, 2016. On October 31, 2016, we declared a fourth quarter dividend of \$0.02 per common share, payable to common shareholders of record at the close of business on November 30, 2016. The dividend will be paid on January 6, 2017.

Cash used for the purchase of treasury shares through our trust agreement was \$0.5 million and \$2.5 million, respectively, for the three and nine months ended September 30, 2016 (\$0.1 million and \$2.3 million for the three and nine months ended September 30, 2015). Cash used for share purchase programs under normal course issuer bids was \$0.9 million and \$6.0 million for the three and nine months ended September 30, 2016 (\$0.5 million and \$5.1 million for the three and nine months ended September 30, 2015).

For a complete discussion of the trust share purchases and our share purchase program see "Securities and Agreements" in this MD&A. For a complete discussion on our normal course issuer bid see "Significant Business Events" in this MD&A.

#### Credit Facility

On July 8, 2015, we 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 (the "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 25.0% 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 us to make a \$1.7 million accelerated repayment on the Term Loan on April 29, 2016.

Consolidated excess cash flow is defined as Consolidated EBITDA less: (i) cash tax paid; (ii) debt servicing obligations; (iii) unfunded capital expenditures; and (iv) qualified external payments

On April 4, 2016, we 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 provided further flexibility in our financing needs with an increase to the capital lease limit, prescribed within the Credit Facility, from \$75.0 million to \$90.0 million.

On August 26, 2016, we entered into the Second Amending Agreement to the Sixth Amended and Restated Credit Agreement to allow for the redemption of the \$10.0 million outstanding principal balance of the Series 1 Debentures on or before September 30, 2016 using \$6.0 million drawn from the Term Loan, equivalent to the previously repaid amount of the original \$30.0 million Term Loan, complimented with borrowings from the Revolver. As a result of the Fort McMurray wildfires and the effect on our second and third quarter volumes, 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.

The Senior Leverage Cover Ratio means, at any time, the ratio of the Senior Debt at such time to Consolidated EBITDA for the four quarters ended immediately preceding such time.

The Fixed Charge Cover Ratio means, for any period, the ratio of:

- a. Consolidated EBITDA for such period less current taxes based on our income and paid in cash with respect to such period, to



## NOA

Consolidated Fixed Charges for such period. Consolidated Fixed Charges is defined as, for any period, an amount equal to the sum (without duplication) of the amounts for such period of (i) Consolidated cash interest expense, (ii) scheduled payments of the principal amount of debt payable by the Borrower or any of its subsidiaries (excluding the principal paid on the 9.125% Series 1 Senior Unsecured Debentures if repaid by us), (iii) Unfunded external payments and (iv) Unfinanced net capital expenditures, all of the foregoing as determined on a consolidated basis for us for such period in conformity with GAAP.

As at September 30, 2016, we were 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, limiting our unused borrowing availability against the Revolver to \$39.5 million.

As at December 31, 2015, there was \$2.4 million issued and undrawn letters of credit under the Revolver and a \$28.6 million unpaid balance for the Term Loan. The December 31, 2015 borrowing base allowed for a maximum draw of \$83.8 million, limiting our unused borrowing availability against the Revolver to \$52.8 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 our Total Debt to trailing 12-month Consolidated EBITDA ratio. The Credit Facility is secured by a first priority lien on all of our existing and after-acquired property. For a complete discussion on our Previous Credit Facility, including covenants, calculation of the borrowing base, the pricing margin schedule, allowable capital lease debt and our credit rating, see "Resources and Systems - Credit Facility" and "Resources and Systems - Debt Ratings" in our most recent annual MD&A for the year ended December 31, 2015.

## Securities and Agreements

## Capital Structure

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

On August 9, 2016, we commenced a NCIB in Canada through the facilities of the TSX, to purchase up to 1,075,968 of our voting common shares which represented 3.4% of the public float (as defined in the TSX Company Manual) and will terminate no later than August 7, 2017. During both the three and nine months ended September 30, 2016, we purchased and subsequently cancelled 277,100 voting common shares. The voting common shares purchased in Canada since inception of the Canada purchase program were at a volume weighted average price of \$3.42.

On March 21, 2016, we commenced a NCIB for up to 1,657,514 voting common shares in the United States primarily through the facilities of the NYSE. Such voting common shares represented approximately 5.0% of the issued and outstanding voting common shares as of March 14, 2016. During the nine months ended September 30, 2016, we purchased and subsequently cancelled 1,657,514 voting common shares. The voting common shares purchased in the United States since the inception of the US purchase program were at a volume 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 US Securities Exchange Act of 1934, whereby the safe harbor conditions limited the number of shares that could be purchased per day to a maximum of 25.0% of the average daily trading volume for the four calendar weeks preceding the date of purchase, with certain exceptions permitted for block trading. The price per share, for all but the block trades, was based on the market price of such shares at the time of purchase, in accordance with regulatory requirements.

On June 12, 2014, we entered into a trust agreement whereby the trustee may purchase and hold common shares, classified as treasury shares on our consolidated balance sheets, until such time that units issued under the equity classified long-term incentive plans are to be settled. Units granted under such plans typically vest at the end of a three-year term. As at October 31, 2016 the trustee is holding sufficient treasury shares to meet our current incentive plan commitments.





As at October 31, 2016, there were 30,717,807 voting common shares outstanding, which included 2,007,814 common shares held by the trust and classified as treasury shares on our consolidated balance sheet (31,229,007 common shares, including 2,006,216 common shares classified as treasury shares at September 30, 2016). We did not have non-voting common shares outstanding on any of the foregoing dates. Additionally, as at September 30, 2016, there were an aggregate of 1,264,780 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 1,264,780 common voting shares.

For a more detailed discussion of our share data, see "Description of Securities and Agreements - Capital Structure" in our annual AIF for the year ended December 31, 2015.

#### 9.125% Series 1 Debentures

On September 30, 2016, the Company redeemed the remaining \$10.0 million 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. This transaction brings our outstanding Series 1 Debentures balance to \$nil.

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.

For a full discussion on our Series 1 Debentures please see "Description of Securities and Agreements - 9.125% Series 1 Debentures" in our annual AIF for the year ended December 31, 2015.

#### 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 President and Chief Executive Officer and the Vice President, Finance, to allow timely decisions regarding required disclosures.

An evaluation was carried out under the supervision of and with the participation of management, including the President and Chief Executive Officer and the Vice President, Finance, 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 Vice President, Finance concluded that as of September 30, 2016 such disclosure controls and procedures were effective.

##### Management's Report on Internal Control over Financial Reporting

There have been no changes to our internal controls over financial reporting ("ICFR") for the three and nine months ended September 30, 2016 that have materially affected, or are reasonably likely to affect, our ICFR.

#### Accounting Pronouncements

##### Accounting pronouncements recently adopted

##### Interest - Imputation of interest

We adopted this Accounting Standards Update ("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) effective commencing January 1, 2016. The adoption of this standard did not have a material effect on our consolidated financial statements.

NOA

**Compensation - Stock Compensation**

We adopted this 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 effective commencing January 1, 2016. The adoption of this standard did not have a material effect on our consolidated financial statements.

Issued accounting pronouncements not yet adopted

**Revenue from Contracts with Customers**

In March 2016, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue Gross versus Net). This ASU will be effective commencing January 1, 2018. We are currently assessing the effect the adoption of this standard will have on our consolidated financial statements.

**Financial Instruments - Overall**

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10). 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 our consolidated financial statements.

**Leases**

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This ASU will be effective commencing January 1, 2019, with early adoption permitted. We are currently assessing the effect that the adoption of this standard will have on our consolidated financial statements.

**Compensation - Stock Compensation**

In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718). 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 our consolidated financial statements.

**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 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.

For a complete discussion of accounting pronouncements recently adopted and accounting pronouncements not yet adopted, see the "Accounting pronouncements recently adopted" and "Recent accounting pronouncements not yet adopted" sections of our Consolidated Financial Statements for the three and nine months ended September 30, 2016 and notes that follow, which sections are expressly incorporated by reference into this MD&A.

**Critical Accounting Estimates**

The preparation of our consolidated financial statements in conformity with US GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. For a full discussion of our critical accounting estimates, see "Critical Accounting Estimates" in our annual MD&A for the year ended December 31, 2015.

**G. FORWARD-LOOKING INFORMATION, ASSUMPTIONS AND RISK FACTORS**

This document contains forward-looking information that is based on expectations and estimates as of the date of this document. Our forward-looking information is information that is subject to known and unknown risks and other factors that may cause future actions, conditions or events to differ materially from the anticipated actions, conditions or events expressed or implied by such forward-looking information. Forward-looking information is information that does not relate strictly to historical or current facts and can be identified by the use of the future tense or other forward-looking words such as "believe", "expect", "anticipate", "intend", "plan", "estimate", "potential", "likely", "should", "could", "would", "target", "objective", "projection", "forecast", "continue", "strategy", "position" or the negative of those terms or variations of them or comparable terminology.



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

- Our expectation that we will realize \$0.8 million in annual savings on our interest expense by financing \$17.0 million of the Series 1 Debentures redemption through the lower cost Credit Facility.

- The expectation that, while it is possible that we may receive contingent proceeds based on certain profitability thresholds being achieved from the use of the assets and liabilities sold in connection with the Piling sale, it is very unlikely that any portion of such proceeds will be realized.

- The belief that necessary rebalancing of supply and demand in the oil industry is well underway, but that associated rise in oil prices will likely not take place linearly.

- The belief that we should see significantly increased expenditure on infrastructure projects by the federal and provincial governments in the medium term.

- The expectation that our oil sands clients will continue to grow their production in order to dilute operating costs per barrel.

- The expectation that over the medium to long term our customers' drive for increased production should lead to greater volumes of recurring mine services for us.

- The belief that we are still on target to achieve a similar EBITDA in 2016 as we did last year.

- The belief that winter earthworks should gradually ramp up in the fourth quarter and keep us busy through the first quarter of 2017.

- The estimate that the signed MUA with an oil sands operator, that covers work previously performed at the operator's base oil sands mining operations under an MSA and the addition of work in the MUA at the operator's SAGD projects and a second oil sands mining operation (estimated late 2017 production), has the potential to underpin our revenues over the next five years.

- The belief that the summer tailings dam construction job at the Red Chris copper mine in British Columbia 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.

- Our belief that the project insight and knowledge gained by being a project partner increases our ability to accurately assess risk and price as a subcontractor.

- Our belief that 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, will 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.

- Our belief that we can grow both EBITDA and free cash flow significantly over the next three years.

- Our expectation that we will not experience a strike or lockout.

- Our anticipation that we will have the capital resources to fund our planned annual capital spending program and meet current and future working capital, debt servicing and dividend payment requirements for the remainder of this year from existing cash balances, cash provided by operating activities and borrowings under our Credit Facility.

- Our anticipation that our annual net sustaining capital expenditures for 2016 will be approximately \$25.0 million to \$30.0 million, that our annual growth capital expenditures for 2016 will be approximately \$5.0 million and that we will continue leveraging our capital lease facilities to limit the amount of cash used for the equipment replacement requirements.

NOA

Assumptions

The material factors or assumptions used to develop the above forward-looking statements include, but are not limited to:

- our level of receivables, inventory and unbilled revenue, and our requirements for liquidity, are similar to our historical experience;
  - that interest rates remain at current levels;
  - our ability to continue to generate cash flow to meet our liquidity needs;
  - that the Piling Business EBITDA for 2016 will not dramatically exceed the Piling Business EBITDA for 2014 and 2015;
  - continuing demand for construction services, including in non-oil sands projects;
  - that our continuous efforts in the realms of: safety management; service execution; equipment reliability; and cost reduction, should stand us in good stead to benefit from any recurring mine services work from our customers;
  - that oil prices do not drop significantly further such that our customers cut back on oil production;
  - that oil prices do not rise significantly in the short term such that a recovery takes place more quickly than anticipated;
  - that our oil sands customers continue to seek to lower their operating cost per barrel;
  - that oil sands mining and construction activity in Alberta does not decrease significantly further;
  - that decisions by our oil sands customers to start new mining projects depend largely on the price of oil;
  - that we are able to maintain our expenses at current levels;
  - that work will continue to be required under our master services agreements or multiple use agreement with various customers;
  - our customers' ability to pay in timely fashion;
  - our ability to successfully resolve all claims and unsigned change orders with our customers;
  - the oil sands continuing to be an economically viable source of energy;
  - our customers and potential customers continuing to invest in the oil sands, other resource developments and provincial infrastructure projects and to outsource activities for which we are capable of providing services;
  - the continuing plans to construct southern and east / west pipelines;
  - our ability to benefit from construction services revenue and to maintain operations support services revenue tied to the operational activities of the oil sands;
  - our ability to maintain the right size and mix of equipment in our fleet and to secure specific types of rental equipment to support project development activity enables us to meet our customers' variable service requirements while balancing the need to maximize utilization of our own equipment and that our equipment maintenance costs are similar to our historical experience;
  - our ability to access sufficient funds to meet our funding requirements will not be significantly impaired;
  - our success in executing our business strategy, identifying and capitalizing on opportunities, managing our business, maintaining and growing our relationships with customers, retaining new customers, competing in the bidding process to secure new projects and identifying and implementing improvements in our maintenance and fleet management practices;
  - our relationships with the unions representing certain of our employees continues to be positive; and
  - our success in improving profitability and continuing to strengthen our balance sheet through a focus on performance, efficiency and risk management.
- and are subject to the risks and uncertainties highlighted in our MD&A for the year ended December 31, 2015 and in our most recently filed Annual Information form.

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” below, “Assumptions” and “Business Risk Factors” in our annual MD&A for the year ended December 31, 2015 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 Information Form.

#### Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk that 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 we are exposed at any point in time varies depending on market conditions, expectations of future price or market rate movements and composition of our financial assets and liabilities held, non-trading physical assets and contract portfolios.

To manage the exposure related to changes in market risk, we may use various risk management techniques including the use of derivative instruments. 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.

#### Foreign exchange risk

Foreign exchange risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in foreign exchange rates. We regularly transact 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. We may fix our exposure in either the Canadian dollar or the US dollar for these short-term transactions, if material.

At September 30, 2016, with other variables unchanged, the impact of a \$0.01 increase (decrease) in exchange rates of the Canadian dollar to the US dollar on short-term exposures would not have a significant impact to other comprehensive income.

#### Interest rate risk

We are exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows or the fair values of our financial instruments. Amounts outstanding under our amended credit facilities are subject to a floating rate. Our capital lease obligations are subject to a fixed rate. Our interest rate risk arises from long-term borrowings issued at fixed rates that create fair value interest rate risk and variable rate borrowings that create cash flow interest rate risk.

In some circumstances, floating rate funding may be used for short-term borrowings and other liquidity requirements. We may use derivative instruments to manage interest rate risk. We manage our interest rate risk exposure by using a mix of fixed and variable rate debt and may use derivative instruments to achieve the desired proportion of variable to fixed-rate debt.

At September 30, 2016, we had \$40.6 million outstanding debt pertaining to our Term Loan and Revolver under the Credit Facility (December 31, 2015 – \$28.6 million).

#### H. GENERAL MATTERS

##### Additional Information

Our corporate office is located at Suite 300, 18817 Stony Plain Road, Edmonton, Alberta T5S 0C2. Our corporate head office telephone and facsimile numbers are 780-960-7171 and 780-969-5599, respectively.





NOA

Additional information relating to us, including our AIF dated December 31, 2015, can be found on the Canadian Securities Administrators System for Electronic Document Analysis and Retrieval ("SEDAR") database at [www.sedar.com](http://www.sedar.com), the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov) and on our company website at [www.nacg.ca](http://www.nacg.ca).

25

---

FORM 52-109F2

CERTIFICATION OF INTERIM FILINGS

I, Martin Ferron, the President and Chief Executive Officer of North American Energy Partners Inc., certify the following:

1. Review: I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of North American Energy Partners Inc. (the "issuer") for the interim period ended September 30, 2016.
2. No misrepresentations: Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. Fair presentation: Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. Responsibility: The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, for the issuer.
5. Design: Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the end of the period covered by the interim filings
  - A. designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
    - I. material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
    - II. information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
  - B. designed ICFR, or caused it 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 the issuer's GAAP.
- 5.1 Control framework: The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework ("COSO").
- 5.2 ICFR – material weakness relating to design: N/A
- 5.3 Limitation on scope and design: N/A
6. Reporting changes in ICFR: The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on July 1, 2016 and ended on September 30, 2016 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: November 1, 2016

/s/ Martin Ferron  
President and Chief Executive Officer

FORM 52-109F2

CERTIFICATION OF INTERIM FILINGS

I, Rob Butler, the Vice President of Finance of North American Energy Partners Inc. (principal financial officer), certify the following:

1. Review: I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of North American Energy Partners Inc. (the “issuer”) for the interim period ended September 30, 2016.
2. No misrepresentations: Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. Fair presentation: Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. Responsibility: The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings, for the issuer.
5. Design: Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the end of the period covered by the interim filings
  - A. designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
    - I. material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
    - II. information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
  - B. designed ICFR, or caused it 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 the issuer’s GAAP.
- 5.1 Control framework: The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework (“COSO”).
- 5.2 ICFR – material weakness relating to design: N/A
- 5.3 Limitation on scope and design: N/A
6. Reporting changes in ICFR: The issuer has disclosed in its interim MD&A any change in the issuer’s ICFR that occurred during the period beginning on July 1, 2016 and ended on September 30, 2016 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Date: November 1, 2016

/s/ Rob Butler  
Vice President, Finance