North American Energy Partners Inc.
Form 6-K
February 01, 2011
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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 February 2011

Commission File Number 001-33161

NORTH AMERICAN ENERGY PARTNERS INC.

Zone 3 Acheson Industrial Area

2-53016 Highway 60

Acheson, Alberta

Canada T7X 5A7

(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 x

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): ¨

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Documents Included as Part of this Report

1. Interim consolidated financial statements of North American Energy Partners Inc. for the three and nine months ended December 31, 2010.

2. Management s Discussion and Analysis for the three and nine months ended December 31, 2010.

3. Canadian Supplement to Management s Discussion and Analysis for the three and nine months ended December 31, 2010.

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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/ DAVID BLACKLEY
Name:	**David Blackley**
Title:	**Chief Financial Officer**

Date: February 1, 2011

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NORTH AMERICAN ENERGY PARTNERS INC.

Interim Consolidated Financial Statements

For the three and nine months ended December 31, 2010

(Expressed in thousands of Canadian Dollars)

(Unaudited)

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Interim Consolidated Balance Sheets

(Expressed in thousands of Canadian Dollars)

(Unaudited)

	December 31, 2010	March 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$748	$103,005
Accounts receivable, net (allowance for doubtful accounts of $90, March 2010 $1,691)	131,509	111,884
Unbilled revenue	134,283	84,702
Inventories (note 7)	6,829	3,047
Prepaid expenses and deposits	9,367	6,881
Deferred tax assets	2,331	3,481
	285,067	313,000
Prepaid expenses and deposits	2,781	4,005
Assets held for sale	807	838
Property, plant and equipment (note 8)	331,680	331,355
Investment in and advances to unconsolidated joint venture (note 9)	3,332	2,917
Intangible assets, net (accumulated amortization of $6,843, March 2010 $4,591)	15,708	7,669
Goodwill (note 5)	32,649	25,111
Deferred financing costs (note 10)	8,038	6,725
Deferred tax assets	47,031	10,997
	$727,093	**$702,617**
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$97,201	$66,876
Accrued liabilities	27,470	47,191
Billings in excess of costs incurred and estimated earnings on uncompleted contracts	1,849	1,614
Current portion of capital lease obligations	4,783	5,053
Current portion of term facilities (note 11(a))	10,000	6,072
Current portion of derivative financial instruments (note 14)	2,566	22,054
Deferred tax liabilities	35,854	16,781
	179,723	165,641
Capital lease obligations	4,713	8,340
Term facilities (note 11(a))	60,946	22,374
8 3/4% senior notes (note 11(b))		203,120
Series 1 debentures (note 11(c))	225,000	
Derivative financial instruments (note 14)	10,927	75,001
Other long term obligations (note 17)	26,216	19,642
Deferred tax liabilities	42,666	27,441
	550,191	521,559

Shareholders equity:		
Common shares (authorized unlimited number of voting common shares; issued and outstanding December 31, 2010 36,177,866 (March 31, 2010 36,049,276) (note 12(a))	304,387	303,505
Additional paid-in capital	6,619	7,439
Deficit	(134,084)	(129,886)
Accumulated other comprehensive loss	(20)	
	176,902	181,058
	$727,093	**$702,617**

See accompanying notes to unaudited interim consolidated financial statements.

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Interim Consolidated Statements of Operations and Comprehensive Income (Loss)

(Expressed in thousands of Canadian Dollars, except per share amounts)

(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2010	2009	2010	2009
Revenue	**$265,086**	**$221,175**	**$683,538**	**$538,396**
Project costs	148,019	89,207	357,736	208,906
Equipment costs	58,819	57,512	170,180	147,915
Equipment operating lease expense	16,940	16,287	53,340	44,320
Depreciation	10,501	10,543	26,758	30,693
Gross profit	**30,807**	**47,626**	**75,524**	**106,562**
General and administrative costs	16,482	14,532	45,497	43,426
Loss on disposal of property, plant and equipment	847	743	1,428	1,044
Loss on disposal of assets held for sale	873	649	848	373
Amortization of intangible assets	992	528	2,252	1,438
Equity in loss (earnings) of unconsolidated joint venture (note 9)	359	(98)	876	(66)
Operating income before the undernoted	**11,254**	**31,272**	**24,623**	**60,347**
Interest expense, net (note 13)	7,193	6,764	22,630	19,725
Foreign exchange gain	(42)	(5,449)	(1,690)	(42,930)
Realized and unrealized (gain) loss on derivative financial instruments (note 14)	(2,040)	8,010	(340)	43,185
Loss on debt extinguishment (note 10 and 11(b))			4,346	
Other expense	27	471	18	804
Income (loss) before income taxes	**6,116**	**21,476**	**(341)**	**39,563**
Income taxes (benefit) (note 15(c)):				
Current	(51)	591	4,436	1,855
Deferred	2,425	5,949	(579)	8,546
Net income (loss)	**3,742**	**14,936**	**(4,198)**	**29,162**
Other comprehensive loss				
Unrealized foreign currency translation loss	20		20	
Comprehensive income (loss)	**3,722**	**14,936**	**(4,218)**	**29,162**
Net income (loss) per share basic (note 12(b))	**$0.10**	**$0.41**	**$(0.12)**	**$0.81**
Net income (loss) per share diluted (note 12(b))	**$0.10**	**$0.41**	**$(0.12)**	**$0.79**

See accompanying notes to unaudited interim consolidated financial statements.

Interim Consolidated Statements of Changes in Shareholders Equity

(Expressed in thousands of Canadian Dollars)

(Unaudited)

	Common shares	Additional paid-in capital	Deficit	Accumulated other comprehensive loss	Total
Balance at March 31, 2008	**$301,894**	**$4,351**	**$(22,701)**	**$**	**$283,544**
Net loss			(135,404)		(135,404)
Share option plan		1,888			1,888
Deferred performance share unit plan		61			61
Reclassification on exercise of stock options	834	(834)			
Issued upon exercise of stock options	703				703
Balance at March 31, 2009	**$303,431**	**$5,466**	**$(158,105)**	**$**	**$150,792**
Net income			28,219		28,219
Share option plan		2,135			2,135
Deferred performance share unit plan		123			123
Reclassified to restricted share unit liability		(20)			(20)
Reclassification on exercise of stock options	21	(21)			
Cash settlement of stock options		(244)			(244)
Issued upon exercise of stock options	53				53
Balance at March 31, 2010	**$303,505**	**$7,439**	**$(129,886)**	**$**	**$181,058**
Net loss			(4,198)		(4,198)
Unrealized foreign currency translation loss				(20)	(20)
Share option plan		1,066			1,066
Deferred performance share unit plan		(57)			(57)
Stock award plan		653			653
Reclassification on exercise of stock options	245	(245)			
Issued upon exercise of stock options	637				637
Senior executive stock options plan		(2,237)			(2,237)
Balance at December 31, 2010	**$304,387**	**$6,619**	**$(134,084)**	**$(20)**	**$176,902**

See accompanying notes to unaudited interim consolidated financial statements.

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Interim Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian Dollars)

(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2010	2009	2010	2009
Cash provided by (used in):				
Operating activities:				
Net income (loss) for the period	**$3,742**	**$14,936**	**$(4,198)**	**$29,162**
Items not affecting cash:				
Depreciation	10,501	10,543	26,758	30,693
Equity in loss (earnings) of unconsolidated joint venture (note 9)	359	(98)	876	(66)
Amortization of intangible assets	992	528	2,252	1,438
Amortization of deferred lease inducements	(26)	(19)	(80)	(80)
Amortization of deferred financing costs (note 13)	360	847	1,243	2,489
Loss on disposal of property, plant and equipment	847	743	1,428	1,044
Loss on disposal of assets held for sale	873	649	848	373
Unrealized foreign exchange gain on 8 3/4% senior notes		(5,120)	(732)	(42,720)
Unrealized (gain) loss on derivative financial instruments measured at fair value	(2,040)	3,818	(340)	31,793
Loss on debt extinguishment			4,346	
Stock-based compensation expense (note 18(a))	4,451	1,439	7,377	3,888
Accretion of asset retirement obligation	9	8	26	(4)
Deferred income taxes (benefit)	2,425	5,949	(579)	8,546
Net changes in non-cash working capital (note 15(b))	(49,113)	(23,839)	(53,253)	(40,164)
	(26,620)	**10,384**	**(14,028)**	**26,392**
Investing activities:				
Acquisition (note 6)	(20,820)	(530)	(20,820)	(5,410)
Purchase of property, plant and equipment	(10,576)	(3,542)	(27,353)	(46,002)
Additions to intangible assets	(731)	(1,232)	(2,755)	(2,037)
Additions to assets held for sale		(125)	(1,703)	(1,058)
Investment in and advances to unconsolidated joint venture (note 9)		(1,887)	(1,291)	(2,873)
Proceeds on disposal of property, plant and equipment	360	454	420	1,150
Proceeds on disposal of assets held for sale	445	1,170	745	2,282
Net changes in non-cash working capital (note 15(b))	5,881	(2,998)	1,861	(351)
	(25,441)	**(8,690)**	**(50,896)**	**(54,299)**
Financing activities:				
Repayment of term facilities	(2,500)	(3,037)	(7,500)	(3,688)
Increase in term facilities			50,000	33,000
Financing costs (note 11(a) and 11(c))			(7,920)	(1,123)
Redemption of 8 3/4% senior notes (note 11(b))			(202,410)	
Issuance of series 1 debentures (note 11(c))			225,000	
Settlement of swap liabilities (note 14)			(91,125)	

Cash settlement of stock options				(66)
Proceeds from stock options exercised	332		637	
Repayment of capital lease obligations	(1,176)	(1,271)	(3,988)	(4,219)
	(3,344)	**(4,308)**	**(37,306)**	**23,904**
Decrease in cash and cash equivalents	**(55,405)**	**(2,614)**	**(102,230)**	**(4,003)**
Effect of exchange rate on changes in cash	(27)		(27)	
Cash and cash equivalents, beginning of period	56,180	97,491	103,005	98,880
Cash and cash equivalents, end of period	**$748**	**$94,877**	**$748**	**$94,877**

Supplemental cash flow information (note 15(a))

See accompanying notes to unaudited interim consolidated financial statements.

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Notes to Interim Consolidated Financial Statements

For the three and nine months ended December 31, 2010

(Expressed in thousands of Canadian Dollars, except per share amounts or unless otherwise specified)

(Unaudited)

1. Nature of operations

North American Energy Partners Inc. (the Company), formerly NACG Holdings Inc., was incorporated under the Canada Business Corporations Act on October 17, 2003. On November 26, 2003, the Company purchased all the issued and outstanding shares of North American Construction Group Inc. (NACGI), including subsidiaries of NACGI, from Norama Ltd. which had been operating continuously in Western Canada since 1953. The Company had no operations prior to November 26, 2003. The Company undertakes several types of projects including heavy construction, industrial and commercial site development and pipeline and piling installations in Canada.

2. Significant accounting policy

i) Basis of presentation

These unaudited interim consolidated financial statements are prepared in accordance with 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 most recent annual financial statements. Material items that give rise to measurement differences to the consolidated financial statements under Canadian GAAP are outlined in note 22.

These consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, North American Construction Group Inc. (NACGI) and North American Fleet Company Ltd. (NAFCL), and the following 100% owned subsidiaries of NACGI:

North American Caisson Ltd.
North American Construction Ltd.
North American Engineering Inc.
North American Enterprises Ltd.
North American Industries Inc.
North American Maintenance Ltd.
North American Mining Inc.
North American Pile Driving Inc.
North American Pipeline Inc.
North American Road Inc.
North American Services Inc.
North American Site Development Ltd.
North American Site Services Inc.
North American Tailings and Environmental Ltd.
DF Investments Limited
Drillco Foundation Co. Ltd.
Cyntech Canada Inc.
Cyntech Services Inc.
Cyntech U.S. Inc.

ii) Foreign currency translation

Accounts of the Company s US-based subsidiary, which has a US dollar functional currency, are translated into Canadian Dollars using the current rate method. Assets and liabilities are translated at the rate of exchange in effect at the balance sheet date, and revenue and expense items (including depreciation and amortization) are translated at the average rate of exchange for the period. The resulting unrealized exchange gains and losses from these translation adjustments are included as a separate component of shareholders equity in Accumulated Other Comprehensive Income (Loss). The effect of exchange rate changes on cash balances held in foreign currencies is separately reported as part of the reconciliation of the change in cash and cash equivalents for the period.

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

3. United States accounting pronouncements recently adopted

i) Improvements to financial reporting by enterprises involved with variable interest entities

In December 2009, the FASB issued ASU No. 2009-17, Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities , which amends ASC 810, Consolidation . The amendments give guidance and clarification of how to determine when a reporting entity should include the assets, liabilities, non-controlling interests and results of activities of a variable interest entity in its consolidated financial statements. The Company adopted this ASU effective April 1, 2010. The adoption of this standard did not have a material effect on the Company s interim consolidated financial statements.

ii) Embedded credit derivatives

In March 2010, the FASB issued ASU No. 2010-11, Scope Exception Related to Embedded Credit Derivatives , which clarifies that financial instruments that contain embedded credit-derivative features related only to the transfer of credit

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For the three and nine months ended December 31, 2010

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(Unaudited)

risk in the form of subordination of one instrument to another are not subject to bifurcation and separate accounting. The scope exception only applies to an embedded derivative feature that relates to subordination between tranches of debt issued by an entity and other features that relate to another type of risk must be evaluated for separation as an embedded derivative. The Company adopted this ASU effective July 1, 2010. The adoption of this standard did not have a material effect on the Company s interim consolidated financial statements.

4. Recent United States accounting pronouncements not yet adopted

i) Revenue recognition

In October 2009, the FASB issued ASU No. 2009-13, Revenue Recognition: Multiple-Deliverable Revenue Arrangements , which addresses the accounting for multiple-deliverable arrangements to enable vendors to account for products or services separately rather than as a combined unit. The amendments establish a selling price hierarchy for determining the selling price of a deliverable. The amendments also eliminate the residual method of allocation and require that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. For the Company, this ASU is effective prospectively for revenue arrangements entered into or materially modified on or after April 1, 2011. The Company is currently evaluating the effect of this ASU on its consolidated financial statements.

ii) Share based payment awards

In April 2010, the FASB issued ASU No. 2010-13, Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades , which clarifies that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity s equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. This ASU will amend ASC 718, Compensation Stock Compensation and it is effective for the Company beginning on April 1, 2011. The Company is currently evaluating the effect of this ASU on its consolidated financial statements.

iii) Intangibles Goodwill and Other

In December 2010, the FASB issued ASU No. 2010-28, When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts , which amends ASC 350, Intangibles-Goodwill and Other to modify step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts, to require an entity to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that impairment may exist. For the Company, this ASU is effective for the fiscal year and interim periods beginning April 1, 2011. Early adoption is not permitted. The amendments in this ASU will have no material effect on the Company s consolidated financial statements.

iv) Business Combinations

In December 2010, the FASB issued ASU No. 2010-29, Disclosure of Supplementary Pro Forma Information for Business Combinations , which amends ASC 805, Business Combinations , to require that pro-forma information be presented as if the business combination occurred at the beginning of the prior annual reporting period for the purposes of calculating both the current reporting period and the prior reporting period pro forma financial information. The ASU also requires the disclosure be accompanied by a narrative description of the nature and amount of

material, nonrecurring pro forma adjustments. For the Company, this ASU is effective prospectively for business combinations for which the acquisition date is on or after April 1, 2011. Early adoption is permitted. This standard will impact disclosures made for business combinations completed by the Company after the effective date.

5. Goodwill

The change in goodwill during the three and nine months ended December 31, 2010 is as follows:

	December 31, 2010
Opening balance	$25,111
Acquisition of goodwill (assigned to the Piling segment) (note 6)	7,538
Closing balance	$32,649

The Company conducted its annual goodwill impairment test on October 1, 2010 and concluded there was no impairment.

6. Acquisition

On November 1, 2010, the Company acquired all of the assets of Cyntech Corporation and its wholly-owned subsidiary Cyntech Anchor Systems LLC (collectively Cyntech), for a consideration of $24,126 of which $20,820 has been paid.

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Notes to Interim Consolidated Financial Statements

For the three and nine months ended December 31, 2010

(Expressed in thousands of Canadian Dollars, except per share amounts or unless otherwise specified)

(Unaudited)

The difference of $3,306 remains outstanding at December 31, 2010 until the finalization of purchase price consideration. Cyntech designs and manufactures screw piles and pipeline anchoring systems as well as provides tank maintenance services to the petro-chemical industry and is based in Calgary, Alberta. The Company will gain access to screw piling, pipeline anchor design and manufacturing capabilities. The Company will also gain oil and gas storage tank repair and maintenance capabilities which will complement the Company s existing service offering. The results of operations of Cynetech are included in the financial statements from the date of acquisition and acquisition related costs were recorded in general and administrative costs. The goodwill acquired is deductable for tax purposes. The following table summarizes the amounts of estimated fair value of the assets acquired and liabilities assumed at the acquisition date:

Net assets acquired at assigned values:	
Accounts receivable	$7,097
Inventories	1,521
Prepaid expenses and deposits	63
Plant and equipment	1,346
Intangible assets	7,536
Goodwill	7,538
Accounts payable	(975)
	$24,126

The purchase price consideration and the fair value of the assets acquired and liabilities assumed may be subject to post-closing adjustments.

7. Inventories

	December 31, 2010	March 31, 2010
Spare tires	$4,079	$1,868
Job materials	2,076	1,179
Finished goods	674	
	$6,829	$3,047

8. Property, plant and equipment

December 31, 2010	Cost	Accumulated Deprecation	Net Book Value
Heavy equipment	$345,500	$105,214	$240,286

Major component parts in use	40,873	11,831	29,042
Other equipment	31,089	13,697	17,392
Licensed motor vehicles	21,097	15,377	5,720
Office and computer equipment	11,321	5,121	6,200
Buildings	21,657	7,866	13,791
Land	281		281
Leasehold improvements	14,247	4,126	10,121
Assets under capital lease	19,435	10,588	8,847
	$505,500	$173,820	$331,680

March 31, 2010	Cost	Accumulated Deprecation	Net Book Value
Heavy equipment	$339,312	$95,473	$243,839
Major component parts in use	36,064	8,297	27,767
Other equipment	25,666	10,910	14,756
Licensed motor vehicles	16,296	10,692	5,604
Office and computer equipment	9,746	3,786	5,960
Buildings	21,710	6,832	14,878
Land	281		281
Leasehold improvements	9,314	2,960	6,354
Assets under capital lease	24,304	12,388	11,916
	$482,693	$151,338	$331,355

Assets under capital lease are comprised predominately of licensed motor vehicles.

During the three and nine months ended December 31, 2010, additions to property, plant and equipment included $44 and $91 respectively, of assets that were acquired by means of capital leases (three and nine months ended

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For the three and nine months ended December 31, 2010

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(Unaudited)

December 31, 2009 $449 and $1,105 respectively). Depreciation of equipment under capital lease of $651 and $2,069 for the three and nine months ended December 31, 2010, respectively, was included in depreciation expense (three and nine months ended December 31, 2009 $1,019 and $3,156 respectively).

9. Investment in and advances to unconsolidated joint venture

The Company is engaged in a joint venture, Noramac Joint Venture (JV), of which the Company has joint control (50% proportionate interest) of the entity. The JV was formed for the purpose of expanding the Company s market opportunities and establishing strategic alliances in Northern Alberta. The Company owns a 49% interest in Noramac Ventures Inc., a nominee company established by the two joint venture partners.

As of December 31, 2010, the Company s investment in and advances to the unconsolidated joint venture totalled $3,332 (March 31, 2010 $2,917). The condensed financial data for investment in and advances to unconsolidated joint venture is summarized as follows:

	December 31, 2010	March 31, 2010
Current assets	$8,554	$8,952
Long term assets	1,312	153
Current liabilities	3,198	3,271
Long term liabilities	8,520	5,940

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2010	2009	2010	2009
Gross revenues	$2,019	$3,077	$8,017	$5,163
Gross profit	33	847	835	1,226
Net (loss) income	(718)	195	(1,751)	132
Equity in (loss) earnings of unconsolidated joint venture	$(359)	$98	$(876)	$66

10. Deferred financing costs

December 31, 2010	Cost	Accumulated Amortization	Net Book Value
8 3/4% senior notes	$16,521	$16,521	$

Term & Revolving Facilities	5,362	3,676	1,686
Series 1 Debentures	6,886	534	6,352
	$28,769	$20,731	$8,038

March 31, 2010	Cost	Accumulated Amortization	Net Book Value
8 3/4% senior notes	$16,521	$12,014	$4,507
Term & Revolving Facilities	4,328	3,150	1,178
Series 1 Debentures	1,040		1,040
	$21,889	$15,164	$6,725

Amortization of deferred financing costs of $360 and $1,243 respectively, was included in interest expense for the three and nine months ended December 31, 2010 (three and nine months ended December 31, 2009 $847 and $2,489 respectively).

Upon redemption of the 8 3/4% senior notes on April 28, 2010, the unamortized deferred financing costs related to the 8 3/4% senior notes of $4,324 were expensed and included in the loss on debt extinguishment (note 11(b)). In addition, $183 related to amortization of deferred financing costs incurred up to the redemption date was included in interest expense.

11. Long term debt

a) Credit Facilities

	December 31, 2010	March 31, 2010
Term A Facility	$25,635	$28,446
Term B Facility	45,311	
Total term facilities	$70,946	$28,446
Less: current portion	(10,000)	(6,072)
	$60,946	$22,374

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Notes to Interim Consolidated Financial Statements

For the three and nine months ended December 31, 2010

(Expressed in thousands of Canadian Dollars, except per share amounts or unless otherwise specified)

(Unaudited)

On April 30, 2010, the Company entered into an amended and restated credit agreement to extend the term of the credit facilities and increase the amount of the term loans. These facilities mature on April 30, 2013.

The new credit facilities include an $85.0 million Revolving Facility (previously $90.0 million), a $28.4 million Term A Facility and a $50.0 million Term B Facility. Advances under the Revolving Facility may be repaid from time to time at the Company s option. The term facilities include scheduled repayments totalling $10.0 million per year with $2.5 million paid on the last day of each quarter commencing June 30, 2010. In addition, the Company must make annual payments within 120 days of the end of its fiscal year in the amount of 50% of Consolidated Excess Cash Flow (as defined in the credit agreement) to a maximum of $4.0 million. As at December 31, 2010, the Company does not anticipate making the maximum payment of $4.0 million in July 2011.

As of December 31, 2010, the Company had outstanding borrowings of $70.9 million (March 31, 2010 $28.4 million) under the term facilities, $nil under the Revolving Facility and had issued $12.3 million (March 31, 2010 $10.4 million) in letters of credit under the Revolving Facility to support performance guarantees associated with customer contracts. The funds available for borrowing under the Revolving Facility are reduced by any outstanding letters of credit. The Company s unused borrowing availability under the credit facility was $72.7 million at December 31, 2010.

During the three and nine months ended December 31, 2010, financing fees of $nil and $1,034 respectively were incurred in connection with the modifications made to the amended and restated credit agreement. These fees have been recorded as deferred financing costs and are being amortized using the effective interest method over the term of the credit agreement (note 10).

Interest on Canadian prime rate loans is paid at variable rates based on the Canadian prime rate plus the applicable pricing margin (as defined in the credit agreement). Interest on US base rate loans is paid at a rate per annum equal to the US base rate plus the applicable pricing margin. Interest on Canadian prime rate and US base rate loans is payable monthly in arrears and computed on the basis of a 365 day or 366 day year, as the case may be. Interest on LIBOR loans is paid during each interest period at a rate per annum, calculated on a 360 day year, equal to the LIBOR rate with respect to such interest period plus the applicable pricing margin. Stamping fees and interest related to the issuance of Bankers Acceptances is paid in advance upon the issuance of such Bankers Acceptance.

The credit facilities are secured by a first priority lien on substantially all of the Company s existing and after-acquired property and contain certain restrictive covenants including, but not limited to, incurring additional debt, transferring or selling assets, making investments including acquisitions, paying dividends or redeeming shares of capital stock. The Company is also required to meet certain financial covenants under the credit agreement and was in compliance with these covenants at December 31, 2010.

b) 8 $^{3}/4$% Senior Notes

	December 31, 2010	March 31, 2010
8 $^{3}/4$% senior unsecured notes due 2011 ($US)	$	$200,000
Unrealized foreign exchange		3,120
	$	$203,120

On April 28, 2010, the Company redeemed the 8 3/4% senior notes for $202,410 and recorded a $4,346 loss on debt extinguishment including a $4,324 write off of deferred financing costs (note 10).

c) Series 1 Debentures

On April 7, 2010, the Company issued $225.0 million of 9.125% Series 1 Debentures (the Series 1 Debentures). The Series 1 Debentures mature on April 7, 2017. The Series 1 Debentures bear interest at 9.125% per annum and such interest is payable in equal instalments semi-annually in arrears on April 7 and October 7 in each year, commencing on October 7, 2010.

The Series 1 Debentures are unsecured senior obligations and rank equally with all other existing and future unsecured senior debt and senior to any subordinated debt that may be issued by the Company or any of its subsidiaries. The Series 1 Debentures are effectively subordinated to all secured debt to the extent of collateral on such debt.

At any time prior to April 7, 2013, the Company may redeem up to 35% of the aggregate principal amount of the Series 1 Debentures with the net cash proceeds of one or more public equity offerings at a redemption price equal to 109.125% of the principal amount, plus accrued and unpaid interest to the date of redemption, so long as:

i) at least 65% of the original aggregate amount of the Series 1 Debentures remains outstanding after each redemption; and

ii) any redemption by the Company is made within 90 days of the equity offering.

At any time prior to April 7, 2013, the Company may on one or more occasions redeem the Series 1 Debentures, in whole or in part, at a redemption price which is equal to the greater of (a) the Canada Yield Price (as defined in the trust

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indenture) and (b) 100% of the aggregate principal amount of Series 1 Debentures redeemed, plus, in each case, accrued and unpaid interest to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

The Series 1 Debentures are redeemable at the option of the Company, in whole or in part, at any time on or after: April 7, 2013 at 104.563% of the principal amount; April 7, 2014 at 103.042% of the principal amount; April 7, 2015 at 101.520% of the principal amount; April 7, 2016 and thereafter at 100% of the principal amount; plus, in each case, interest accrued to the redemption date.

If a change of control occurs, the Company will be required to offer to purchase all or a portion of each debenture holder s Series 1 Debentures, at a purchase price in cash equal to 101% of the principal amount of the Series 1 Debentures offered for repurchase plus accrued interest to the date of purchase.

During the three and nine months ended December 31, 2010, financing fees of $nil and $5,846 respectively were incurred in connection with the issuance of the Series 1 Debentures in addition to $1,040 that was incurred in March 2010. These fees have been recorded as deferred financing costs and are being amortized using the effective interest method over the term of the Series 1 Debentures (note 10).

12. Shares

a) Common shares

Authorized:

Unlimited number of voting common shares

Unlimited number of non-voting common shares

Issued and outstanding:

	Number of Shares	Amount
Voting common shares		
Issued and outstanding at March 31, 2010	36,049,276	$303,505
Issued upon exercise of options	128,590	637
Transferred from additional paid-in capital on exercise of stock options		245
Issued and outstanding at December 31, 2010	36,177,866	$304,387

b) Net income (loss) per share

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2010	2009	2010	2009
Net income (loss) available to common shareholders	$3,742	$14,936	$(4,198)	$29,162
Weighted average number of common shares	36,126,877	36,038,476	36,085,384	36,038,476
Basic net income (loss) per share	$0.10	$0.41	$(0.12)	$0.81
Net income (loss) available to common shareholders	$3,742	$14,936	$(4,198)	$29,162
Weighted average number of common shares	36,126,877	36,038,476	36,085,384	36,038,476
Dilutive effect of stock options and deferred performance share units	753,118	651,550		672,960
Weighted average number of diluted common shares	36,879,995	36,690,026	36,085,384	36,711,436
Diluted net income (loss) per share	$0.10	$0.41	$(0.12)	$0.79

For the three and nine months ended December 31, 2010, there were 635,839 and 573,065, respectively, stock options which were anti-dilutive and therefore were not considered in computing diluted earnings per share (three and nine months ended December 31, 2009 155,576 and 159,244, respectively, stock options and deferred performance share units).

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13. Interest expense

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2010	2009	2010	2009
Interest on 8 $^{3}/4$% senior notes and swaps	$	$4,517	$1,238	$14,468
Interest on capital lease obligations	155	244	545	805
Amortization of deferred financing costs	360	847	1,243	2,489
Interest on credit facilities	1,416	893	3,680	1,385
Interest on Series 1 Debentures	5,132		14,999	
Interest on long term debt	$7,063	$6,501	$21,705	$19,147
Other interest	130	263	925	578
	$7,193	$6,764	$22,630	$19,725

14. Financial instruments

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. Counterparty confirmations and 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, including derivatives. 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 and cash equivalents, accounts receivable, unbilled revenue, accounts payable and accrued liabilities approximate their carrying amounts due to the relatively short periods to maturity for the instruments.

The fair values of amounts due under the Term Facilities 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 $70.9 million at December 31, 2010 and $28.4 million at March 31, 2010, the fair value of amounts due under the Term Facilities as at December 31, 2010 and March 31, 2010 are not significantly different than their carrying value.

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

	December 31, 2010		March 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
8 $^{3}/4$% senior notes [(i)]	$	$	$203,120	$203,526
Capital lease obligations [(ii)]	9,496	9,431	13,393	13,291

Series 1 Debentures [iii]	225,000	237,935

(i) The US Dollar denominated 8 3/4% senior notes were redeemed during the three months ended June 30, 2010. The fair value of the 8 3/4% senior notes on March 31, 2010 was based upon the period end closing market price translated into Canadian Dollars at period end exchange rates as at March 31, 2010. Expected discounted cash flows were not included in the fair value calculation.

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

(iii) The fair value of the Series 1 Debentures is based upon the expected discounted cash flows and the period end market price of similar financial instruments.

Fair value hierarchy of financial instruments

The Company has segregated all financial assets and financial liabilities that are measured at fair value on a recurring basis into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date.

The fair values of the Company s embedded derivatives are based on appropriate price modeling commonly used by market participants to estimate fair value. Such modeling includes option pricing models and discounted cash flow analysis, using observable market based inputs including foreign currency rates and discount factors to estimate fair value. The Company considers its own credit risk or the credit risk of the counterparty in determining fair value, depending on whether the fair values are in an asset or liability position. Fair value determined using valuation models requires the use of assumptions concerning the amount and timing of future cash flows. Fair value amounts reflect management s best estimates using external, readily observable, market data such as future prices, interest rate yield curves, foreign exchange rates and discount rates for time value. It is possible that the assumptions used in establishing fair value amounts will differ from future outcomes and the effect of such variations could be material.

At December 31, 2010, the Company had no financial assets or financial liabilities measured at fair value on a recurring basis which were classified as Level 1 or Level 3 under the fair value hierarchy. Since the Company primarily uses observable inputs of similar instruments and discounted cash flows in its valuation of its derivative financial

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instruments, these fair value measurements are classified as Level 2 of the fair value hierarchy. Financial assets and liabilities measured at fair value net of accrued interest on a recurring basis, all of which are classified as Derivative financial instruments on the Interim Consolidated Balance Sheets are summarized below:

December 31, 2010	Carrying Value
Embedded price escalation features in a long term customer construction contract	$6,156
Embedded price escalation features in certain long term supplier contracts	7,337
	$13,493
Less: current portion	(2,566)
	$10,927

March 31, 2010	Carrying Value
Cross-currency swaps for US dollar 8 3/4% senior notes	$66,268
Interest rate swaps for US dollar 8 3/4% senior notes	14,843
Cross-currency and interest rate swaps for US dollar 8 3/4% senior notes	$81,111
Embedded price escalation features in a long term customer construction contract	6,481
Embedded price escalation features in certain long term supplier contracts	9,463
	$97,055
Less: current portion	(22,054)
	$75,001

On April 8, 2010, the Company settled the cross-currency and interest rate swaps, including accrued interest for a total of $91,125 in conjunction with the settlement of the 8 3/4% senior notes (note 11(b)).

Assets held for sale are re-measured at fair value less cost to sell on a non-recurring basis. Assets held for sale with a carrying amount of $948 were written down to their fair value less cost to sell of $807, resulting in a loss of $141, which was included in depreciation expense in the Consolidated Statements of Operations and Comprehensive Income (Loss) for the period ended December 31, 2010. The fair value less cost to sell of the assets held for sale is determined internally by analyzing recent auction prices for equipment with similar specifications and hours used, the net book value, the residual value of the asset and the useful life of the asset. The inputs to estimate the fair value of the assets held for sale are classified under Level 3 of the fair value hierarchy.

The realized and unrealized (gain) loss on derivative financial instruments is comprised as follows:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2010	2009	2010	2009
Realized and unrealized loss on cross-currency and interest rate swaps	$	$8,108	$2,111	$54,126
Unrealized loss (gain) on embedded price escalation features in a long term customer construction contract	77	342	(325)	6,615
Unrealized gain on embedded price escalation features in certain long term supplier contracts	(2,117)	(254)	(2,126)	(13,958)
Unrealized gain on early redemption option on 8 3/4% senior notes		(186)		(3,598)
	$(2,040)	$8,010	$(340)	$43,185

15. Other information

a) Supplemental cash flow information

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2010	2009	2010	2009
Cash paid during the period for:				
Interest	$11,793	$23,895	$31,848	$49,068
Income taxes	2,977	1,562	4,149	9,113
Cash received during the period for:				
Interest	62	2,424	1,167	8,495
Income taxes	2,015	453	2,032	453
Non-cash transactions:				
Acquisition of property, plant and equipment by means of capital leases	44	449	91	1,105
Lease inducements				195

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b) Net change in non-cash working capital

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2010	2009	2010	2009
Operating activities:				
Accounts receivable, net	$(22,887)	$(2,938)	$(12,528)	$(7,408)
Unbilled revenue	2,914	(13,943)	(49,581)	(25,490)
Inventories	(402)	1,991	(2,261)	3,785
Prepaid expenses and deposits	1,640	(2,858)	(1,199)	(4,140)
Accounts payable	(15,886)	9,364	27,489	18,706
Accrued liabilities	(9,311)	(14,053)	(14,084)	(29,093)
Over hour accrued liabilities	(3,006)	894	(1,324)	3,730
Billings in excess of costs incurred and estimated earnings on uncompleted contracts	(2,175)	(2,296)	235	(254)
	$(49,113)	$(23,839)	$(53,253)	$(40,164)
Investing activities:				
Accounts payable	$5,881	$(2,998)	$1,861	$(351)

c) Income taxes

Income tax expense as a percentage of income before income taxes for the three and nine months ended December 31, 2010 differs from the statutory rate of 27.77% primarily due to the effect of changes in enacted tax rates and the benefit from changes in the timing of the reversal of temporary differences. Additionally, this ratio was impacted by CRA audit adjustments from 2007 and 2008 which are included in the current and deferred income tax accounts. Income tax expense as a percentage of income before income taxes for the three and nine months ended December 31, 2009 differed from the statutory rate of 28.91% primarily due to the effect of changes in enacted tax rates and the benefit from changes in the timing of the reversal of temporary differences.

16. Segmented information

a) General overview

The Company operates in the following reportable business segments, which follow the organization, management and reporting structure within the Company:

Heavy Construction and Mining:

The Heavy Construction and Mining segment provides mining and site preparation services, including overburden removal and reclamation services, project management, underground utility construction, equipment rental to a variety of customers, environmental services including construction and modification of tailing ponds and reclamation of completed mine sites to environmental standards throughout Canada.

Piling:

The Piling segment provides deep foundation construction and design build services to a variety of industrial and commercial customers throughout Western Canada and Ontario. It also designs and manufactures screw piles and pipeline anchoring systems and provides tank maintenance services to the petro-chemical industry across Canada and the United States.

Pipeline:

The Pipeline segment provides both small and large diameter pipeline construction and installation services as well as equipment rental to energy and industrial clients throughout Western Canada.

The accounting policies of the reportable operating segments are the same as those described in the significant accounting policies in note 3 of the annual consolidated financial statements of the Company for the year ended March 31, 2010. Certain business units of the Company have been aggregated into the Heavy Construction and Mining segment as they have similar economic characteristics. These business units are considered to have similar economic characteristics based on similarities in the nature of the services provided, the customer base and the resources used to provide these services.

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b) Results by business segment

Three Months Ended December 31, 2010	Heavy Construction and Mining	Piling	Pipeline	Total
Revenues from external customers	$185,325	$37,594	$42,167	$265,086
Depreciation of property, plant and equipment	7,251	1,458	271	8,980
Segment profits	20,293	10,324	(1,641)	28,976
Capital expenditures	8,371	324	280	8,975

Three Months Ended December 31, 2009	Heavy Construction and Mining	Piling	Pipeline	Total
Revenues from external customers	$183,631	$20,592	$16,952	$221,175
Depreciation of property, plant and equipment	8,191	701	51	8,943
Segment profits	36,237	4,505	1,072	41,814
Capital expenditures	1,573	305	53	1,931

Nine Months Ended December 31, 2010	Heavy Construction and Mining	Piling	Pipeline	Total
Revenues from external customers	$520,562	$83,303	$79,673	$683,538
Depreciation of property, plant and equipment	19,102	2,811	455	22,368
Segment profits	64,774	16,500	(1,485)	79,789
Capital expenditures	21,836	2,080	1,124	25,040

Nine Months Ended December 31, 2009	Heavy Construction and Mining	Piling	Pipeline	Total
Revenues from external customers	$469,512	$50,268	$18,616	$538,396
Depreciation of property, plant and equipment	24,113	2,108	298	26,519
Segment profits	81,730	9,139	1,301	92,170
Capital expenditures	37,627	307	53	37,987

December 31, 2010	Heavy Construction and Mining	Piling	Pipeline	Total
Segment assets	$456,112	$114,809	$43,826	$614,747

March 31, 2010	Heavy Construction and Mining	Piling	Pipeline	Total
Segment assets	$435,098	$92,980	$14,765	$542,843

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c) Reconciliations

i) Income (loss) before income taxes

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2010	2009	2010	2009
Total profit for reportable segments	$28,976	$41,814	$79,789	$92,170
Less: unallocated corporate expenses				
General and administrative costs	16,482	14,532	45,497	43,426
Loss on disposal of property, plant and equipment	847	743	1,428	1,044
Loss on disposal of assets held for sale	873	649	848	373
Amortization of intangible assets	992	528	2,252	1,438
Equity in loss (earnings) of unconsolidated joint venture	359	(98)	876	(66)
Interest expense, net	7,193	6,764	22,630	19,725
Foreign exchange gain	(42)	(5,449)	(1,690)	(42,930)
Realized and unrealized (gain) loss on derivative financial instruments	(2,040)	8,010	(340)	43,185
Loss on debt extinguishment			4,346	
Other expense	27	471	18	804
Unallocated equipment (recoveries) costs [(i)]	(1,831)	(5,812)	4,265	(14,392)
Income (loss) before income taxes	$6,116	$21,476	$(341)	$39,563

(i) Unallocated equipment costs represent actual equipment costs, including non-cash items such as depreciation, which have not been allocated to reportable segments. Unallocated equipment recoveries arise when actual equipment costs charged to the reportable segment exceed actual equipment costs incurred.

ii) Total assets

	December 31, 2010	March 31, 2010
Corporate assets:		
Cash and cash equivalents	$748	$103,005
Property, plant and equipment	22,427	17,883
Deferred income taxes	49,362	14,478
Other	39,809	24,408
Total corporate assets	$112,346	$159,774

Total assets for reportable segments	614,747	542,843
Total assets	$727,093	$702,617

The Company s goodwill of $32,649 is assigned to the Piling segment. All of the Company s assets are located in Canada and the United States.

iii) Depreciation of property, plant and equipment

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2010	2009	2010	2009
Total depreciation for reportable segments	$8,980	$8,943	$22,368	$26,519
Depreciation for corporate assets	1,521	1,600	4,390	4,174
Total depreciation	$10,501	$10,543	$26,758	$30,693

iv) Capital expenditures for property, plant and equipment

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2010	2009	2010	2009
Total capital expenditures for reportable segments	$8,975	$1,931	$25,040	$37,987
Capital expenditures for corporate assets	2,332	2,843	5,068	10,052
Total capital expenditures	$11,307	$4,774	$30,108	$48,039

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d) Customers

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2010	2009	2010	2009
Customer A	36%	20%	34%	17%
Customer B	19%	45%	28%	51%
Customer C	8%	10%	8%	11%

The revenue by major customer was earned in Heavy Construction and Mining segments.

17. Other long term obligations

Other long term obligations are as follows:

	December 31, 2010	March 31, 2010
Over hour accrued liabilities	$13,619	$14,943
Deferred lease inducements	681	761
Asset retirement obligation	386	360
Senior executive stock option plan (note 18(c))	5,423	
Restricted share unit plan (note 18(e))	2,244	1,030
Director s deferred stock unit plan (note 18(f))	3,863	2,548
	$26,216	$19,642

18. Stock-based compensation plan

a) Stock-based compensation

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2010	2009	2010	2009
Share option plan (b)	$309	$414	$1,066	$1,768
Senior executive stock option plan (c)	1,941		3,186	
Deferred performance share unit plan (d)	30	(65)	(57)	213
Restricted share unit plan (e)	798	619	1,214	619
Director s deferred stock unit plan (f)	1,244	471	1,315	1,288
Stock award plan (g)	129		653	
	$4,451	$1,439	$7,377	$3,888

b) Share option plan

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

	Three Months Ended December 31,			
	2010		2009	
	Number of options	Weighted average exercise price ($ per share)	Number of options	Weighted average exercise price ($ per share)
Outstanding, beginning of period	1,686,044	8.88	2,154,624	7.62
Granted	200,000	10.13		
Exercised [(i)]	(67,430)	(4.93)	(560)	(3.69)
Forfeited	(80,860)	(10.62)	(25,400)	(9.60)
Outstanding, end of period	1,737,754	9.10	2,128,664	7.60

(i) All stock options exercised resulted in new common shares being issued.

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	Nine Months Ended December 31,			
		2010		2009
	Number of options	Weighted average exercise price ($ per share)	Number of options	Weighted average exercise price ($ per share)
Outstanding, beginning of period	2,250,804	7.84	2,071,884	7.53
Granted	260,000	9.77	160,000	8.28
Exercised [(i)]	(128,590)	(4.96)		
Options settled for cash			(40,560)	(4.98)
Forfeited	(94,460)	(10.44)	(62,660)	(8.87)
Modified [(ii)]	(550,000)	(5.00)		
Outstanding, end of period	1,737,754	9.10	2,128,664	7.60

(i) All stock options exercised resulted in new common shares being issued.
(ii) 550,000 options were modified as senior executive stock options on September 22, 2010 (note 18(c)).

At December 31, 2010, the weighted average remaining contractual life of outstanding options is 6.3 years (March 31, 2010 6.6 years). At December 31, 2010, the Company had 833,210 exercisable options (March 31, 2010 1,244,908) with a weighted average exercise price of $8.10 (March 31, 2010 $6.46).

The fair value of each option granted by the Company was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2010	2009	2010	2009
Number of options granted	200,000		260,000	160,000
Weighted average fair value per option granted ($)	7.05		6.79	5.89
Weighted average assumptions:				
Dividend yield	Nil%		Nil%	Nil%
Expected volatility	78.57%		78.59%	77.47%
Risk-free interest rate	2.78%		2.65%	3.44%
Expected life (years)	6.10		6.09	6.5

c) Senior executive stock option plan

On September 22, 2010, the Company modified a senior executive employment agreement to allow the option holder the right to settle options in cash which resulted in 550,000 stock options (senior executive stock options) changing classification from equity to a long term liability. The Company classifies senior executive stock options as a liability. The liability is measured at fair value using the Black-Scholes model at the modification date and subsequently at each period end date. Previously recognized compensation cost related to the senior executive stock option plan of $2,237 was transferred from additional paid-in capital to the senior executive stock option liability on the modification date. Incremental compensation cost of $1,941 and $3,186 was recognized for the three and nine months ended December 31, 2010. Changes in fair value of the liability are recognized in the Consolidated Statements of Operations and Comprehensive Income (Loss).

The weighted average assumptions used in estimating the fair value of the senior executive stock options as at December 31, 2010 are as follows:

Number of senior executive stock options	550,000
Weighted average fair value per option granted ($)	9.86
Weighted average assumptions:	
Dividend yield	Nil%
Expected volatility	85.09%
Risk-free interest rate	2.14%
Expected life (years)	5.00

d) Deferred performance share unit plan

Deferred Performance Share Units (DPSUs) are granted each fiscal year with respect of services to be provided in that fiscal year and the following two fiscal years. The DPSUs vest at the end of a three-year term and are subject to the performance criteria approved by the Compensation Committee of the Board of Directors at the date of grant. Such performance criterion includes the passage of time and is based upon return on invested capital calculated as operating

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income divided by average operating assets. The date of the third fiscal year-end following the date of the grant of DPSUs is the maturity date for such DPSUs. At the maturity date, the Compensation Committee assesses the participant against the performance criteria and determines the number of DPSUs that have been earned (earned DPSUs).

The settlement of the participant s entitlement is made at the Company s option either in cash in an amount equivalent to the number of earned DPSUs multiplied by the value of the Company s common shares at the date of maturity or in a number of common shares equal to the number of earned DPSUs. If settled in common shares, the common shares are purchased on the open market or through the issuance of shares from treasury.

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2010	2009	2010	2009
Outstanding, beginning of period	491,988	807,901	507,295	91,005
Granted				748,791
Exercised				
Forfeited	(38,276)	(42,194)	(53,583)	(74,089)
Converted to RSUs		(389,204)		(389,204)
Outstanding, end of period	453,712	376,503	453,712	376,503

The weighted average exercise price per unit is $nil.

At December 31, 2010, the weighted average remaining contractual life of outstanding DPSU Plan units is 1.45 years (March 31, 2010 2.2 years). Compensation expense was based upon management s assessment of performance against return on invested capital targets and the ultimate number of units expected to be issued. As at December 31, 2010, there was approximately $321 of total unrecognized compensation cost related to non-vested share-based payment arrangements under the DPSU Plan (December 31, 2009 $442), which is expected to be recognized over a weighted average period of 1.45 years and is subject to performance adjustments.

e) Restricted share unit plan

Restricted Share Units (RSUs) are granted each fiscal year with respect to services to be provided in that fiscal year and the following two fiscal years. The RSUs vest at the end of a three-year term. The Company classifies RSUs as a liability as the Company has the ability and intent to settle the awards in cash.

Compensation expense is calculated based on the weighted average number of vested shares multiplied by the fair market value of each RSU as determined by the volume weighted average trading price of the Company s common shares for the five trading days immediately preceding the day on which the fair market value is to be determined. The Company recognizes compensation expense over the vesting period of the RSU term.

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2010	2009	2010	2009
Outstanding, beginning of period	433,547		468,815	
Converted from DPSUs at a conversion factor of 80%		311,358		311,358
Granted				
Exercised				
Forfeited	(55,480)		(90,748)	
Outstanding, end of period	378,067	311,358	378,067	311,358

At December 31, 2010, the redemption value of these units was $12.01/unit (March 31, 2010 $9.68/unit).

Using the redemption value of $12.01/unit at December 31, 2010, there was approximately $2,376 of total unrecognized compensation cost related to non-vested share-based payment arrangements under the RSU Plan and these costs are expected to be recognized over the weighted average remaining contractual life of the RSUs of 1.5 years (March 31, 2010 2.3 years).

f) Director s deferred stock unit plan

Under the Directors Deferred Stock Unit (DDSU) Plan, non-officer directors of the Company receive 50% of their annual fixed remuneration (which is included in general and administrative costs) in the form of DDSUs and may elect to receive all or a part of their annual fixed remuneration in excess of 50% in the form of DDSUs. The number of DDSUs to be credited to the participants deferred unit account is determined by dividing the amount of the participant s deferred remuneration by the Canadian Dollar equivalent of the Company s weighted average share price of the last five trading days on the New York Stock Exchange at the end of the period. The DDSUs vest immediately upon grant and are only

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redeemable upon death or retirement of the participant for cash determined by the market price of the Company s common shares for the five trading days immediately preceding death or retirement. Directors, who are not US taxpayers, may elect to defer the maturity date until a date no later than December 1st of the calendar year following the year in which the actual maturity date occurred.

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2010	2009	2010	2009
Outstanding, beginning of period	306,719	209,714	263,266	139,691
Granted	14,840	31,570	58,293	101,593
Outstanding, end of period	321,559	241,284	321,559	241,284

At December 31, 2010, the redemption value of these units was $12.01/unit (March 31, 2010 $9.68/unit). There is no unrecognized compensation expense related to the DDSUs, since these awards vest immediately when granted.

g) Stock award plan

On September 24, 2009, the Chief Executive Officer s (CEO) employment agreement was extended by the Board of Directors for a further period of two years, to May 8, 2012. In addition to the existing conditions in his employment agreement, the CEO was awarded the right to receive 150,000 common shares of the Company as follows:

- 50,000 shares on May 8, 2011;
- 50,000 shares on November 8, 2011; and
- 50,000 shares on May 8, 2012.

These shares will be awarded to the CEO provided he remains employed on the award dates above. As of September 24, 2010, the effective date, the CEO will be granted a right to receive 150,000 common shares of the Company or at the discretion of the Company, the cash equivalent thereof.

The CEO s entitlement, upon the above release dates, shall be settled in common shares purchased on the open market or through the issuance of common shares from treasury, in each case net of required withholdings. The CEO s entitlement may be settled with newly issued common shares from treasury, if all necessary shareholder approvals and regulatory approvals, if any, are obtained. The Company has no intention to settle in cash.

The estimate of the fair value of the stock award on the grant date was determined using the Black-Scholes option pricing model and the weighted average assumptions used in estimating the fair value of the stock awards are as follows:

Number of stock awards granted	150,000
Weighted average fair value per award granted ($)	7.00
Weighted average assumptions:	
Dividend yield	Nil%
Expected volatility	117.72%
Risk-free interest rate	1.48%
Expected life (years)	2.6

None of the stock awards have vested as of December 31, 2010. At December 31, 2010, the weighted average remaining contractual life of outstanding Stock Award Plan units is 0.9 years (March 31, 2010 1.6 years). As at December 31, 2010, there was approximately $397 of total unrecognized compensation cost related to non-vested share-based payment arrangements under the stock award plan, which is expected to be recognized over a weighted average period of 0.9 years (March 31, 2010 1.6 years).

19. Seasonality

The Company generally experiences a decline in revenues during the first quarter of each fiscal year due to seasonality, as weather conditions make operations in the Company s operating regions difficult during this period. The level of activity in the Heavy Construction and Mining and Pipeline segments declines when frost leaves the ground and many secondary roads are temporarily rendered incapable of supporting the weight of heavy equipment. The duration of this period is referred to as spring breakup and has a direct effect on the Company s activity levels. Revenues during the fourth quarter of each fiscal year are typically highest as ground conditions are most favorable in the Company s operating regions. As a result, full-year results are not likely to be a direct multiple of any particular quarter or combination of quarters. In addition to revenue variability, gross 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 service.

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20. Claims revenue

For the three and nine months ended December 31, 2010, due to the timing of receipt of signed change orders, the Heavy Construction and Mining segment had approximately $0.3 million and $1.0 million respectively in claims revenue recognized to the extent of costs incurred, the Piling segment had $0.5 million and $2.3 million respectively in claims revenue recognized to the extent of costs incurred, and the Pipeline segment had $nil million and $0.1 million respectively in claims revenue recognized to the extent of costs incurred.

21. Comparative figures

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

22. United States and Canadian accounting policy differences

These consolidated financial statements have been prepared in accordance with US GAAP, which differs in certain respects from Canadian GAAP. If Canadian GAAP were employed, the Company s comprehensive income (loss) would be adjusted as follows:

Consolidated Statements of Operations, Comprehensive Income and Deficit Three months ended December 31, 2010	US GAAP	Adjustments	Canadian GAAP
Revenue [e]	$265,086	$1,010	$266,096
Project costs [e]	148,019	993	149,012
Equipment costs	58,819		58,819
Equipment operating lease expense	16,940		16,940
Depreciation [a]	10,501	(27)	10,474
Gross profit	**30,807**	**44**	**30,851**
General and administrative costs [c] and [e]	16,482	155	16,637
Loss on disposal of property, plant and equipment	847		847
Loss on disposal of assets held for sale	873		873
Amortization of intangible assets [b]	992	177	1,169
Equity in loss of unconsolidated joint venture [e]	359	(359)	
Operating income before the undernoted	**11,254**	**71**	**11,325**
Interest expense, net [b]	7,193	(271)	6,922
Foreign exchange gain	(42)		(42)
Realized and unrealized gain on derivative financial instruments [d]	(2,040)	(1,569)	(3,609)
Other expense	27		27

Income before income taxes	**6,116**	**1,911**	**8,027**
Income taxes:			
Current	(51)		(51)
Deferred [f]	2,425	216	2,641
Net income	**3,742**	**1,695**	**5,437**
Other comprehensive loss			
Unrealized foreign currency translation loss	20		20
Comprehensive income	**3,722**	**1,695**	**5,417**
Deficit, beginning of period	(137,826)	7,339	(130,487)
Deficit, end of period	**$(134,084)**	**$9,034**	**$(125,050)**
Net income per share basic	**$0.10**	**$0.05**	**$0.15**
Net income per share diluted	**$0.10**	**$0.05**	**$0.15**

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For the three and nine months ended December 31, 2010

(Expressed in thousands of Canadian Dollars, except per share amounts or unless otherwise specified)

(Unaudited)

Consolidated Statements of Operations, Comprehensive Loss and Deficit Nine months ended December 31, 2010	US GAAP	Adjustments	Canadian GAAP
Revenue [e]	$683,538	$4,009	$687,547
Project costs [e]	357,736	3,591	361,327
Equipment costs	170,180		170,180
Equipment operating lease expense	53,340		53,340
Depreciation [a]	26,758	(83)	26,675
Gross profit	**75,524**	**501**	**76,025**
General and administrative costs [c] and [e]	45,497	(194)	45,303
Loss on disposal of property, plant and equipment	1,428		1,428
Loss on disposal of assets held for sale	848		848
Amortization of intangible assets [b]	2,252	526	2,778
Equity in loss of unconsolidated joint venture [e]	876	(876)	
Operating income before the undernoted	**24,623**	**1,045**	**25,668**
Interest expense, net [b]	22,630	(918)	21,712
Foreign exchange gain	(1,690)		(1,690)
Realized and unrealized gain on derivative financial instruments [d]	(340)	(4,630)	(4,970)
Loss on debt extinguishment [b]	4,346	(2,884)	1,462
Other expense	18		18
(Loss) income before income taxes	**(341)**	**9,477**	**9,136**
Income taxes (benefit):			
Current	4,436		4,436
Deferred [f]	(579)	1,524	945
Net (loss) income	**(4,198)**	**7,953**	**3,755**
Other comprehensive loss			
Unrealized foreign currency translation loss	20		20
Comprehensive (loss) income	**(4,218)**	**7,953**	**3,735**
Deficit, beginning of period	(129,886)	1,081	(128,805)
Deficit, end of period	**$(134,084)**	**$9,034**	**$(125,050)**
Net loss (income) per share basic	**$(0.12)**	**$0.22**	**$0.10**

Net loss (income) per share diluted	**$(0.12)**	**$0.22**	**$0.10**

Consolidated Statements of Operations, Comprehensive Income and Deficit Three months ended December 31, 2009	US GAAP	Adjustments	Canadian GAAP
Revenue [e]	$221,175	$1,539	$222,714
Project costs [e]	89,207	1,115	90,322
Equipment costs	57,512		57,512
Equipment operating lease expense	16,287		16,287
Depreciation [a]	10,543	(31)	10,512
Gross profit	**47,626**	**455**	**48,081**
General and administrative costs [c] and [e]	14,532	315	14,847
Loss on disposal of property, plant and equipment	743		743
Loss on disposal of assets held for sale	649		649
Amortization of intangible assets [b]	528	210	738
Equity in earnings of unconsolidated joint venture [e]	(98)	98	
Operating income before the undernoted	**31,272**	**(168)**	**31,104**
Interest expense, net [b]	6,764	(637)	6,127
Foreign exchange gain [b]	(5,449)	46	(5,403)
Realized and unrealized loss on derivative financial instruments [d]	8,010	(392)	7,618
Other expenses	471		471
Income before income taxes	**21,476**	**815**	**22,291**
Income taxes:			
Current	591		591
Deferred [f]	5,949	174	6,123
Net income and comprehensive income for the period	**14,936**	**641**	**15,577**
Deficit, beginning of period	(143,879)	2,461	(141,418)
Deficit, end of period	**$(128,943)**	**$3,102**	**$(125,841)**
Net income per share basic	**$0.41**	**$0.02**	**$0.43**
Net income per share diluted	**$0.41**	**$0.02**	**$0.43**

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Consolidated Statements of Operations, Comprehensive Income and Deficit Nine months ended December 31, 2009	US GAAP	Adjustments	Canadian GAAP
Revenue [e]	$538,396	$2,531	$540,927
Project costs [e]	208,906	1,928	210,834
Equipment costs	147,915		147,915
Equipment operating lease expense	44,320		44,320
Depreciation [a]	30,693	(93)	30,600
Gross profit	**106,562**	**696**	**107,258**
General and administrative costs [c] and [e]	43,426	502	43,928
Loss on disposal of property, plant and equipment	1,044		1,044
Loss on disposal of assets held for sale	373		373
Amortization of intangible assets [b]	1,438	623	2,061
Equity in earnings of unconsolidated joint venture [e]	(66)	66	
Operating income before the undernoted	**60,347**	**(495)**	**59,852**
Interest expense, net [b]	19,725	(1,840)	17,885
Foreign exchange gain	(42,930)	450	(42,480)
Realized and unrealized loss on derivative financial instruments [d]	43,185	(2,720)	40,465
Other expenses	804		804
Income before income taxes	**39,563**	**3,615**	**43,178**
Income taxes:			
Current	1,855		1,855
Deferred [f]	8,546	639	9,185
Net income and comprehensive income for the period	**29,162**	**2,976**	**32,138**
Deficit, beginning of period	(158,105)	126	(157,979)
Deficit, end of period	**$(128,943)**	**$3,102**	**$(125,841)**
Net income per share basic	**$0.81**	**$0.08**	**$0.89**
Net income per share diluted	**$0.79**	**$0.08**	**$0.87**

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The cumulative effect of material differences between US and Canadian GAAP on the Consolidated Balance Sheets of the Company is as follows:

Consolidated Balance Sheets December 31, 2010	US GAAP	Adjustments	Canadian GAAP
Assets			
Current assets:			
Cash and cash equivalents [e]	$748	$903	$1,651
Accounts receivable, net [e]	131,509	1,595	133,104
Unbilled revenue [e]	134,283	1,733	136,016
Inventories	6,829		6,829
Prepaid expenses and deposits [e]	9,367	46	9,413
Deferred tax assets	2,331		2,331
	285,067	**4,277**	**289,344**
Prepaid expenses and deposits	2,781		2,781
Assets held for sale	807		807
Property, plant and equipment [a] and [e]	331,680	49	331,729
Investment in and advances to unconsolidated joint venture [e]	3,332	(3,332)	
Intangible assets [b] and [e]	15,708	1,712	17,420
Goodwill	32,649		32,649
Deferred financing costs [b]	8,038	(8,038)	
Deferred tax assets	47,031		47,031
	$727,093	**$(5,332)**	**$721,761**
Liabilities and Shareholders Equity			
Current liabilities:			
Accounts payable [e]	$97,201	$1,553	$98,754
Accrued liabilities [e]	27,470	46	27,516
Billings in excess of costs incurred and estimated earnings on uncompleted contracts	1,849		1,849
Current portion of capital lease obligations	4,783		4,783
Current portion of term facilities	10,000		10,000
Current portion of derivative financial instruments	2,566		2,566
Deferred tax liabilities	35,854		35,854
	179,723	**1,599**	**181,322**
Capital lease obligations	4,713		4,713
Term facilities	60,946		60,946
Series 1 debentures [b] and [d]	225,000	(11,257)	213,743

Derivative financial instruments	10,927		10,927
Other long term obligations	26,216	(1,452)	24,764
Deferred tax liabilities [(f)]	42,666	472	43,138
	550,191	**(10,638)**	**539,553**
Shareholders equity:			
Common shares (authorized unlimited number of voting common shares; issued and outstanding December 31, 2010 36,177,866)	304,387	(3,458)	300,929
Additional paid-in capital [(c)] and [(f)]	6,619	(270)	6,349
Deficit [(a f)]	(134,084)	9,034	(125,050)
Accumulated other comprehensive loss	(20)		(20)
	176,902	**5,306**	**182,208**
	$727,093	**$(5,332)**	**$721,761**

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Consolidated Balance Sheets March 31, 2010	US GAAP	Adjustments	Canadian GAAP
Assets			
Current assets:			
Cash and cash equivalents [(e)]	$103,005	$1,240	$104,245
Accounts receivable, net [(e)]	111,884	1,432	113,316
Unbilled revenue [(e)]	84,702	1,794	86,496
Inventories	3,047		3,047
Prepaid expenses and deposits [(e)]	6,881	87	6,968
Deferred taxes assets	3,481		3,481
	313,000	**4,553**	**317,553**
Prepaid expenses and deposits	4,005		4,005
Assets held for sale	838		838
Property, plant and equipment [(a)]	331,355	(536)	330,819
Investment in and advances to unconsolidated joint venture [(e)]	2,917	(2,917)	
Intangible assets [(b)]	7,669	1,051	8,720
Goodwill	25,111		25,111
Deferred financing costs [(b)]	6,725	(5,685)	1,040
Deferred tax assets	10,997		10,997
	$702,617	**$(3,534)**	**$699,083**
Liabilities and Shareholders Equity			
Current liabilities:			
Accounts payable [(e)]	$66,876	$1,637	$68,513
Accrued liabilities	47,191		47,191
Billings in excess of costs incurred and estimated earnings on uncompleted contracts	1,614		1,614
Current portion of capital lease obligations	5,053		5,053
Current portion of term facilities	6,072		6,072
Current portion of derivative financial instruments	22,054	(1,506)	20,548
Deferred tax liabilities	16,781		16,781
	165,641	**131**	**165,772**
Capital lease obligations	8,340		8,340
Term facilities	22,374		22,374
8 3/4% senior notes [(b)] and [(d)]	203,120	(1,506)	201,614
Derivative financial instruments	75,001	1,506	76,507
Other long term obligations	19,642		19,642
Deferred tax liabilities [(f)]	27,441	(1,052)	26,389

	521,559	**(921)**	**520,638**
Shareholders equity:			
Common shares (authorized unlimited number of voting common shares; issued and outstanding March 31, 2010 36,049,276)	303,505	(3,458)	300,047
Additional paid-in capital [c] and [f]	7,439	(236)	7,203
Deficit [a f]	(129,886)	1,081	(128,805)
	181,058	**(2,613)**	**178,445**
	$702,617	**$(3,534)**	**$699,083**

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The cumulative effect of material differences between US and Canadian GAAP on the consolidated statement of cash flows of the Company is as follows:

Consolidated Statements of Cash Flows Three months ended December 31, 2010	US GAAP	Adjustments	Canadian GAAP
Cash provided by (used in):			
Operating activities:			
Net income for the period	**$3,742**	**$1,695**	**$5,437**
Items not affecting cash:			
Depreciation	10,501	(27)	10,474
Equity in loss of unconsolidated joint venture	359	(359)	
Amortization of intangible assets	992	177	1,169
Amortization of deferred lease inducements	(26)		(26)
Amortization of deferred financing costs	360	(178)	182
Amortization of premium on series 1 debentures		(93)	(93)
Loss on disposal of property, plant and equipment	847		847
Loss on disposal of assets held for sale	873		873
Unrealized gain on derivative financial instruments measured at fair value	(2,040)	(1,569)	(3,609)
Stock-based compensation expense	4,451	(218)	4,233
Accretion of asset retirement obligation	9		9
Deferred income taxes	2,425	216	2641
Net changes in non-cash working capital	(49,113)	267	(48,846)
	(26,620)	**(89)**	**(26,709)**
Investing activities:			
Acquisition	(20,820)		(20,820)
Purchase of property, plant and equipment	(10,576)	39	(10,537)
Additions to intangible assets	(731)	(39)	(770)
Proceeds on disposal of property, plant and equipment	360		360
Proceeds on disposal of assets held for sale	445		445
Net changes in non-cash working capital	5,881		5,881
	(25,441)		**(25,441)**
Financing activities:			
Repayment of term facilities	(2,500)		(2,500)
Proceeds from stock options exercised	332		332
Repayment of capital lease obligations	(1,176)		(1,176)
	(3,344)		**(3,344)**
Decrease in cash and cash equivalents	**(55,405)**	**(89)**	**(55,494)**

Effect of exchange rate on changes in cash	(27)		(27)
Cash and cash equivalents, beginning of period	56,180	992	57,172
Cash and cash equivalents, end of period	**$748**	**$903**	**$1,651**

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(Unaudited)

Consolidated Statements of Cash Flows Nine months ended December 31, 2010	US GAAP	Adjustments	Canadian GAAP
Cash provided by (used in):			
Operating activities:			
Net loss (income) for the period	**$(4,198)**	**$7,953**	**$3,755**
Items not affecting cash:			
Depreciation	26,758	(83)	26,675
Equity in loss of unconsolidated joint venture	876	(876)	
Amortization of intangible assets	2,252	526	2,778
Amortization of deferred lease inducements	(80)		(80)
Amortization of deferred financing costs	1,243	(644)	599
Amortization of premium on Series 1 Debentures		(274)	(274)
Loss on disposal of property, plant and equipment	1,428		1,428
Loss on disposal of assets held for sale	848		848
Unrealized foreign exchange gain on 8 3/4% senior notes	(732)		(732)
Unrealized gain on derivative financial instruments measured at fair value	(340)	(4,630)	(4,970)
Loss on debt extinguishment	4,346	(2,884)	1,462
Stock-based compensation expense	7,377	(1,486)	5,891
Accretion of asset retirement obligation	26		26
Deferred income taxes (benefit)	(579)	1,524	945
Net changes in non-cash working capital	(53,253)	(99)	(53,352)
	(14,028)	**(973)**	**(15,001)**
Investing activities:			
Acquisition	(20,820)		(20,820)
Purchase of property, plant and equipment	(27,353)	(502)	(27,855)
Additions to intangible assets	(2,755)	(153)	(2,908)
Additions to assets held for sale	(1,703)		(1,703)
Investment in and advances to unconsolidated joint venture	(1,291)	1,291	
Proceeds on disposal of property, plant and equipment	420		420
Proceeds on disposal of assets held for sale	745		745
Net changes in non-cash working capital	1,861		1,861
	(50,896)	**636**	**(50,260)**
Financing activities:			
Repayment of term facilities	(7,500)		(7,500)
Increase in term facilities	50,000		50,000
Financing costs	(7,920)		(7,920)
Redemption of 8 3/4% senior notes	(202,410)		(202,410)
Issuance of series 1 debentures	225,000		225,000
Settlement of swap liabilities	(91,125)		(91,125)
Proceeds from stock options exercised	637		637

Repayment of capital lease obligations	(3,988)		(3,988)
	(37,306)		**(37,306)**
Decrease in cash and cash equivalents	**(102,230)**	**(337)**	**(102,567)**
Effect of exchange rate on changes in cash	(27)		(27)
Cash and cash equivalents, beginning of period	103,005	1,240	104,245
Cash and cash equivalents, end of period	**$748**	**$903**	**$1,651**

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Notes to Interim Consolidated Financial Statements

For the three and nine months ended December 31, 2010

(Expressed in thousands of Canadian Dollars, except per share amounts or unless otherwise specified)

(Unaudited)

Consolidated Statements of Cash Flows Three months ended December 31, 2009	US GAAP	Adjustments	Canadian GAAP
Cash provided by (used in):			
Operating activities:			
Net income for the period	**$14,936**	**$641**	**$15,577**
Items not affecting cash:			
Depreciation	10,543	(31)	10,512
Equity in earnings of unconsolidated joint venture	(98)	98	
Amortization of intangible assets	528	210	738
Amortization of deferred lease inducements	(19)		(19)
Amortization of deferred financing costs	847	(637)	210
Loss on disposal of property, plant and equipment	743		743
Loss on disposal of assets held for sale	649		649
Unrealized foreign exchange gain on 8 3/4% senior notes	(5,120)	46	(5,074)
Unrealized loss on derivative financial instruments measured at fair value	3,818	(392)	3,426
Stock-based compensation expense	1,439	(11)	1,428
Accretion of asset retirement obligation	8		8
Deferred income taxes	5,949	174	6,123
Net changes in non-cash working capital	(23,839)	(644)	(24,483)
	10,384	**(546)**	**9,838**
Investing activities:			
Acquisition	(530)		(530)
Purchase of property, plant and equipment	(3,542)		(3,542)
Additions to intangible assets	(1,232)		(1,232)
Additions to assets held for sale	(125)		(125)
Investment in and advances to unconsolidated joint venture	(1,887)	1,887	
Proceeds on disposal of property, plant and equipment	454		454
Proceeds on disposal of assets held for sale	1,170		1,170
Net changes in non-cash working capital	(2,998)		(2,998)
	(8,690)	**1,887**	**(6,803)**
Financing activities:			
Repayment of term facilities	(3,037)		(3,037)
Repayment of capital lease obligations	(1,271)		(1,271)
	(4,308)		**(4,308)**
Decrease in cash and cash equivalents	**(2,614)**	**1,341**	**(1,273)**
Cash and cash equivalents, beginning of period	97,491	225	97,716
Cash and cash equivalents, end of period	**$94,877**	**$1,566**	**$96,443**

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Notes to Interim Consolidated Financial Statements

For the three and nine months ended December 31, 2010

(Expressed in thousands of Canadian Dollars, except per share amounts or unless otherwise specified)

(Unaudited)

Consolidated Statements of Cash Flows Nine months ended December 31, 2009	US GAAP	Adjustments	Canadian GAAP
Cash provided by (used in):			
Operating activities:			
Net income for the period	**$29,162**	**$2,976**	**$32,138**
Items not affecting cash:			
Depreciation	30,693	(93)	30,600
Equity in earnings of unconsolidated joint venture	(66)	66	
Amortization of intangible assets	1,438	623	2,061
Amortization of deferred lease inducements	(80)		(80)
Amortization of deferred financing costs	2,489	(1,840)	649
Loss on disposal of property, plant and equipment	1,044		1,044
Loss on disposal of assets held for sale	373		373
Unrealized foreign exchange gain on 8 $^{3}/4$% senior notes	(42,720)	450	(42,270)
Unrealized loss on derivative financial instruments measured at fair value	31,793	(2,720)	29,073
Stock-based compensation expense	3,888	(35)	3,853
Accretion of asset retirement obligation	(4)		(4)
Deferred income taxes	8,546	639	9,185
Net changes in non-cash working capital	(40,164)	(1,373)	(41,537)
	26,392	**(1,307)**	**25,085**
Investing activities:			
Acquisition	(5,410)		(5,410)
Purchase of property, plant and equipment	(46,002)		(46,002)
Additions to intangible assets	(2,037)		(2,037)
Additions to assets held for sale	(1,058)		(1,058)
Investment in and advances to unconsolidated joint venture	(2,873)	2,873	
Proceeds on disposal of property, plant and equipment	1,150		1,150
Proceeds on disposal of assets held for sale	2,282		2,282
Net changes in non-cash working capital	(351)		(351)
	(54,299)	**2,873**	**(51,426)**
Financing activities:			
Repayment of term facilities	(3,688)		(3,688)
Increase in term facilities	33,000		33,000
Financing costs	(1,123)		(1,123)
Cash settlement of stock options	(66)		(66)
Repayment of capital lease obligations	(4,219)		(4,219)
	23,904		**23,904**
Decrease in cash and cash equivalents	(4,003)	1,566	(2,437)

Cash and cash equivalents, beginning of period	98,880		98,880
Cash and cash equivalents, end of period	**$94,877**	**$1,566**	**$96,443**

The areas of material difference between Canadian and US GAAP and their effect on the Company s consolidated financial statements are described below:

a) Capitalization of interest

US GAAP requires capitalization of interest costs as part of the historical cost of acquiring certain qualifying assets that require a period of time to prepare for their intended use. This is not required under Canadian GAAP. The capitalized amount is subject to depreciation in accordance with the Company s policies when the asset is placed into service.

b) Financing costs, discounts and premiums

Under US GAAP, deferred financing costs incurred in connection with the Company s 9.125% Series 1 Debentures and 8 3/4% senior notes were being amortized over the term of the related debt using the effective interest method. Prior to April 1, 2007, the transaction costs on the 8 3/4% senior notes were recorded as a deferred asset under Canadian GAAP and these deferred financing costs were being amortized on a straight-line basis over the term of the debt.

Effective April 1, 2007, the Company adopted CICA Handbook Section 3855, Financial Instruments Recognition and Measurement , on a retrospective basis without restatement. Although Section 3855 also requires the use of the effective interest method to account for the amortization of finance costs, the requirement to bifurcate the issuer s early prepayment option on issuance of debt (which is not required under US GAAP) resulted in an additional premium of $3,497 on the Series 1 Debentures that is being amortized over the term of the Series 1 Debentures under Canadian GAAP. The same was being done on the extinguished 8 3/4% senior notes. The unamortized premium is disclosed as part

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of the carrying amount of the Series 1 debentures in the Interim Consolidated Balance Sheets. Foreign denominated transaction costs, discounts and premiums on the 8 3/4% senior notes were considered as part of the carrying value of the related financial liability under Canadian GAAP and were subject to foreign currency gains or losses resulting from periodic translation procedures as they were treated as a monetary item under Canadian GAAP. Under US GAAP, foreign denominated transaction costs are considered non-monetary and are not subject to foreign currency gains and losses resulting from periodic translation procedures. The unamortized discounts and premiums on the 8 3/4% senior notes were expensed on the settlement of the 8 3/4% senior notes under both Canadian and US GAAP with a difference of $2,884.

In connection with the adoption of Section 3855, transaction costs incurred in connection with the Company s amended and restated credit agreement of $1,622 were reclassified from deferred financing costs to intangible assets on April 1, 2007 under Canadian GAAP and these costs continued to be amortized on a straight-line basis over the term of the credit facilities. Under US GAAP, the Company continues to amortize these transaction costs over the stated term of the related facilities using the effective interest method. The Company discloses the unamortized deferred financing costs related to the Series 1 Debentures, the 8 3/4% senior notes and the credit facilities as Deferred financing costs on the Interim Consolidated Balance Sheets (December 31, 2010 $8,038; March 31, 2010 $6,725) with the amortization charge classified as Interest expense on the Interim Consolidated Statement of Operations and Comprehensive Income (Loss). Under Canadian GAAP, the unamortized financing costs related to the Series 1 Debentures (December 31, 2010 $6,352) and the 8 3/4% senior notes (March 31, 2010 $1,506) are included in Series 1 debentures and 8 3/4% senior notes respectively whilst the unamortized deferred financing costs in connection with the credit facilities (December 31, 2010 $1,558; March 31, 2010 $1,051) are included in Intangible assets on the Interim Consolidated Balance Sheets resulting in a Canadian and US GAAP presentation difference.

c) Stock-based compensation

Up until April 1, 2006, the Company followed the provisions of ASC 718, Share-Based Payment , for US GAAP purposes. As the Company uses the fair value method of accounting for all stock-based compensation payments under Canadian GAAP, there were no differences between Canadian and US GAAP prior to April 1, 2006. On April 1, 2006, the Company adopted the provisions of SFAS No. 123(R), Share-Based Payment , which is now a part of ASC 718. As the Company used the minimum value method for purposes of complying with ASC 718, it was required to adopt the provisions under the revised guidance prospectively. Under Canadian GAAP, the Company was permitted to exclude volatility from the determination of the fair value of stock options granted until the filing of its initial registration statement relating to the initial public offering of voting shares on July 21, 2006. As a result, for options issued between April 1, 2006 and July 21, 2006, there is a difference between Canadian and US GAAP relating to the determination of the fair value of options granted.

On September 22, 2010, the Company modified a senior executive employment agreement to allow the option holder the right to settle options in cash, which resulted in 550,000 stock options changing classification from equity to a long term liability. Under US GAAP, such modification is measured at fair value using a model such as Black-Scholes. Under Canadian GAAP, stock options that are cash settled are measured at the amount by which the quoted market value of the shares of the Company s stock covered by the grant exceeds the option price. This resulted in a measurement difference between US and Canadian GAAP. At December 31, 2010, the liability under US GAAP was measured at $5,423 of which $2,237 was transferred from additional paid-in capital and the difference of $3,186 was recognized as incremental compensation cost in the Interim Consolidated Statements of Operations and Comprehensive Income (Loss) under General and administrative costs. Under Canadian GAAP, the liability was measured at $3,971 resulting in a transfer of the same amount from additional paid-in capital and the difference of $1,734 was recognized as incremental compensation cost.

d) Derivative financial instruments

Under Canadian GAAP, the Company determined that the issuer s early prepayment option included in the Series 1 Debentures of $3,895 should be bifurcated from the host contract, along with a contingent embedded derivative liability of $398 in the Series 1 Debentures that provides for accelerated redemption by the holders in certain instances. These embedded derivatives were measured at fair value at April 7, 2010, the inception date of the Series 1 Debentures with the residual amount of the proceeds being allocated to the debt. Changes in fair value of the embedded derivatives are recognized in net income and the carrying amount of the Series 1 Debentures is accreted to par value over the term of the Series 1 Debentures using the effective interest method and is recognized as interest expense as discussed in b) above. The same accounting treatment was used on the extinguished 8 $^{3}/4$% senior notes.

Under US GAAP, ASC 815, Derivatives and Hedging , establishes accounting and reporting standards requiring that every derivative instrument, including certain derivative instruments embedded in other contracts and debt instruments, be recorded on the Balance Sheet as either an asset or liability measured at its fair value. The contingent embedded derivative in the Series 1 Debentures that provides for accelerated redemption by the holders in certain instances did not meet the criteria for bifurcation from the debt contract and separate measurement at fair value and was not bifurcated from the host contract and measured at fair value resulting in a US GAAP and Canadian GAAP difference. The contingent embedded derivative in the 8 $^{3}/4$% senior notes that provide for accelerated redemption by the holders in certain instances met the criteria for bifurcation from the debt contract and separate measurement at fair value. The

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For the three and nine months ended December 31, 2010

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(Unaudited)

embedded derivative in the 8 3/4% senior notes was measured at fair value and changes in fair value recorded in net income for all periods presented. The issuer s early prepayment option included in both the Series 1 Debentures and the 8 3/4% senior notes did not meet the criteria as an embedded derivative under ASC 815 and was not bifurcated from the host contract resulting in a US GAAP and Canadian GAAP difference.

e) Joint venture

Under US GAAP, the Company records its share of earnings of the JV using the equity method of accounting. Under Canadian GAAP, the Company uses the proportionate consolidation method of accounting for the JV. Under the proportionate consolidation method the Company recognizes its share of the results of operations, cash flows, and financial position of the JV on a line-by-line basis in its consolidated financial statements. While there is no effect on net income or earnings per share as a result of the US GAAP treatment of the joint venture, as compared to Canadian GAAP, there are presentation differences affecting the disclosures in the interim consolidated financial statements and the supporting notes. Under Canadian GAAP, the following assets, liabilities, revenues and expenses and cash flows would be recorded using the proportionate consolidation method:

	December 31, 2010	March 31, 2010
Current assets	$4,277	$4,476
Long term assets	656	77
Current liabilities	1,599	1,636
Long term liabilities	4,260	2,970
Net equity	$(926)	$(53)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2010	2009	2010	2009
Gross revenues	$1,010	$1,539	$4,009	$2,582
Gross profit	16	424	417	613
Expense	(375)	(326)	(1,293)	(547)
Net (loss) income	$(359)	$98	$(876)	$66

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2010	2009	2010	2009
Cash flow resulting from operating activities	$(89)	$(546)	$(973)	$(1,307)
Cash flow resulting from investing activities		1,887	636	2,873

(Decrease) increase in cash and cash equivalents	$(89)	$1,341	$(337)	$1,566

f) Other matters

Other adjustments relate to the tax effect of items (a) through (d) above. The tax effects of temporary differences are described as future income taxes under Canadian GAAP whereas in these financial statements such amounts are described as deferred income taxes under US GAAP. In addition, Canadian GAAP generally refers to additional paid-in capital as contributed surplus for financial statement presentation purposes.

g) Recent Canadian accounting pronouncements not yet adopted

i) Financial instruments recognition and measurement

In June 2009, the CICA amended Handbook Section 3855, Financial Instruments Recognition and Measurement , to clarify the application of the effective interest method after a debt instrument has been impaired. The Section has also been amended to clarify when an embedded prepayment option is separated from its host instrument for accounting purposes. The amendments apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 for the amendments relating to embedded prepayment options.

ii) Multiple deliverable arrangements

In December 2009, the CICA issued Emerging Issues Committee (EIC) 175, Multiple deliverable arrangements . This abstract addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. It also addresses how arrangement consideration should be measured and allocated to the separate units of accounting in the arrangement. For the Company, this abstract is effective on a prospective basis to all revenue arrangements with multiple deliverables entered into or materially modified in the fiscal period beginning April 1, 2011.

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NORTH AMERICAN ENERGY PARTNERS INC.

Management s Discussion and Analysis

For the three and nine months ended December 31, 2010

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Management s Discussion and Analysis

For the three and nine months ended December 31, 2010

A. Explanatory Notes

February 1, 2011

The following interim Management s Discussion and Analysis (MD&A) should be read in conjunction with the attached unaudited consolidated financial statements for the three and nine months ended December 31, 2010. These statements have been prepared in accordance with United States (US) generally accepted accounting principles (GAAP) and reconciled to Canadian GAAP. This interim MD&A should also be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2010, together with our annual MD&A for the year ended March 31, 2010. The consolidated financial statements, and additional information relating to our business, including our Annual Information Form (AIF), are available on the Canadian Securities Administrators SEDAR System at www.sedar.com, the Securities and Exchange Commission s website at www.sec.gov and our company web site at www.nacg.ca.

Caution Regarding Forward-Looking Information

Our MD&A is intended to enable readers to gain an understanding of our current results and financial position. To do so, we provide information and analysis comparing results of operations and financial position for the current period to those 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. Please refer to Forward-Looking Information and Risk Factors for a discussion of the risks and uncertainties related to such information. Readers are cautioned that actual events and results may vary.

Non-GAAP Financial Measures

The body of generally accepted accounting principles applicable to us is commonly referred to as GAAP . 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 so adjusted in the most comparable GAAP measures. In our MD&A, we use non-GAAP financial measures such as EBITDA (net income before interest expense, income taxes, depreciation and amortization) and Consolidated EBITDA (as defined in our credit agreement). 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 and certain other non-cash items included in the calculation of net income. We believe that EBITDA is a meaningful measure of the performance of our business because it excludes items, such as depreciation and amortization, interest and taxes that are not directly related to the operating performance of our business. Management reviews EBITDA to determine whether plant and equipment are being allocated efficiently. In addition, our credit facility requires us to maintain a minimum interest coverage ratio and a maximum senior leverage ratio, which are calculated using Consolidated EBITDA. Non-compliance with these financial covenants could result in our being required 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 or Canadian GAAP. For example, EBITDA and Consolidated EBITDA do not:

- reflect our cash expenditures or requirements for capital expenditures or capital commitments;
- 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 that represent a reduction in cash available to us; and

- 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 will need to be paid and in the case of realized losses, represents an actual use of cash during the period. 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.

Adoption of United States GAAP

As a Canadian-based company, we have historically prepared our consolidated financial statements in accordance with Canadian GAAP and provided reconciliations to United States (US) GAAP. In 2006, the Canadian Accounting Standards Board (AcSB) published a new strategic plan that significantly affected financial reporting requirements for Canadian public companies. The AcSB strategic plan outlined the convergence of Canadian GAAP with International Financial Reporting Standards (IFRS) over an expected five-year transitional period. In February 2008, the AcSB confirmed that IFRS would be mandatory in Canada for profit-oriented publicly accountable entities for fiscal periods beginning on or after January 1, 2011, unless we, as a Securities and Exchange Commission (SEC) registrant and as permitted by National Instrument 52-107, were to adopt US GAAP on or before this date.

After significant analysis and consideration regarding the merits of reporting under IFRS or US GAAP, we decided to adopt US GAAP, commencing in fiscal 2010, as our primary reporting standard for our consolidated financial statements. Our interim consolidated financial statements for the three and nine months ended December 31, 2009, including related notes and accompanying MD&A, were restated based on US GAAP on June 10, 2010 and are available on the Canadian Securities Administrators SEDAR System at www.sedar.com, the Securities and Exchange Commission s website at www.sec.gov and our company web site at www.nacg.ca. All comparative figures contained in our current interim consolidated financial statements for the three and nine months ended December 31, 2010, including related notes and this MD&A, reflect our results in accordance with US GAAP as our reporting standard.

As required by National Instrument 52-107, for the fiscal year of adoption of US GAAP and one subsequent fiscal year, we will provide a Canadian Supplement to our MD&A that restates, based on financial information reconciled to Canadian GAAP, those parts of our MD&A that would contain material differences if they were based on financial statements prepared in accordance with Canadian GAAP. In support of the adoption of US GAAP commencing in fiscal 2010, we provided a Canadian Supplement MD&A for our audited consolidated financial statements, related notes and accompanying MD&A, for the year ended March 31, 2010. As well, we provided a Canadian Supplement MD&A for each of the restated interim periods for fiscal 2010. The Canadian Supplement MD&A will continue to be provided through fiscal 2011 for each of the reporting periods.

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B. Financial Results

Consolidated Three and Nine Month Results

(dollars in thousands, except per share amounts)	Three Months Ended December 31, 2010	% of Revenue	2009	% of Revenue	Change
Revenue	**$ 265,086**	**100.0%**	**$ 221,175**	**100.0%**	**$ 43,911**
Project costs	148,019	55.8%	89,207	40.3%	58,812
Equipment costs	58,819	22.2%	57,512	26.0%	1,307
Equipment operating lease expense	16,940	6.4%	16,287	7.4%	653
Depreciation	10,501	4.0%	10,543	4.8%	(42)
Gross profit	**30,807**	**11.6%**	**47,626**	**21.5%**	**(16,819)**
General and administrative costs	16,482	6.2%	14,532	6.6%	1,950
Operating income	11,254	4.2%	31,272	14.1%	(20,018)
Net income	**3,742**	**1.4%**	**14,936**	**6.8%**	**(11,194)**
Per share information					
Net income basic	$ 0.10		$ 0.41		$ (0.31)
Net income diluted	0.10		0.41		(0.31)
EBITDA [(1)]	$ 24,802	9.4%	$ 39,311	17.8%	$ (14,509)
Consolidated EBITDA [(1)] (as defined within the credit agreement)	**$ 25,309**	**9.5%**	**$ 43,844**	**19.8%**	**$ (18,535)**

(dollars in thousands, except per share amounts)	Nine Months Ended December 31, 2010	% of Revenue	2009	% of Revenue	Change
Revenue	**$ 683,538**	**100.0%**	**$ 538,396**	**100.0%**	**$ 145,142**
Project costs	357,736	52.3%	208,906	38.8%	148,830
Equipment costs	170,180	24.9%	147,915	27.5%	22,265
Equipment operating lease expense	53,340	7.8%	44,320	8.2%	9,020
Depreciation	26,758	3.9%	30,693	5.7%	(3,935)
Gross profit	**75,524**	**11.0%**	**106,562**	**19.8%**	**(31,038)**
General and administrative costs	45,497	6.7%	43,426	8.1%	2,071
Operating income	24,623	3.6%	60,347	11.2%	(35,724)
Net (loss) income	**(4,198)**	**-0.6%**	**29,162**	**5.4%**	**(33,360)**
Per share information					
Net (loss) income basic	$ (0.12)		$ 0.81		$ (0.93)
Net (loss) income diluted	(0.12)		0.79		(0.91)
EBITDA [(1)]	$ 51,299	7.5%	$ 91,419	17.0%	$ (40,120)
Consolidated EBITDA [(1)] (as defined within the credit agreement)	**$ 60,097**	**8.8%**	**$ 95,216**	**17.7%**	**$ (35,119)**

(1) See reconciliation of net income (loss) to EBITDA and Consolidated EBITDA below:

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Reconciliation of Net Income (loss) to EBITDA and Consolidated EBITDA

	Three Months Ended December 31,			Nine Months Ended December 31,		
(dollars in thousands)	2010	2009	Change	2010	2009	Change
Net income (loss)	$3,742	$14,936	$(11,194)	$(4,198)	$29,162	$(33,360)
Adjustments:						
Interest expense	7,193					