North American Energy Partners Inc.
Form 6-K
June 20, 2012

# 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 June 2012**

**Commission File Number 001-33161**

# NORTH AMERICAN ENERGY PARTNERS INC.

**Suite 2400, 500 4th Avenue SW**

**Calgary, Alberta T2P 2V6**

**(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): ____

**Documents Included as Part of this Report**

1. 2012 Annual Report to Shareholders.

**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: June 20, 2012

# Management s Discussion and Analysis

For the year ended March 31, 2012

## A. EXPLANATORY NOTES

**June 6, 2012**

*The following Management s Discussion and Analysis (MD&A) is as of June 6, 2012 and should be read in conjunction with the attached audited consolidated financial statements for the year ended March 31, 2012 and notes that follow. These statements have been prepared in accordance with United States (US) generally accepted accounting principles (GAAP). Except where otherwise specifically indicated, all dollar amounts are expressed in Canadian dollars. For additional information and details, readers are referred to the unaudited consolidated financial statements and notes there to, as well as the accompanying interim period MD&A for each interim period of fiscal 2012. The audited consolidated financial statements and additional information relating to our business, including our most recent Annual Information Form (AIF), are available on the Canadian Securities Administrators SEDAR System at* www.sedar.com*, the Securities and Exchange Commission s website at* www.sec.gov *and our company website at* www.nacg.ca.

**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 year to those of the preceding two fiscal years. 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, assumptions and uncertainties that could have a material impact on future prospects. Please refer to Forward-Looking Information, Assumptions and Risk Factors for a discussion of the risks, assumptions 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 net income before interest expense, income taxes, depreciation and amortization (EBITDA) and Consolidated EBITDA (as defined in our fourth amended and restated credit agreement, 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, the impairment of goodwill, the amendment related to the fiscal 2011 $42.5 million revenue writedown on the Canadian Natural[1] overburden removal contract (described in the Explanatory Notes Significant Business Event section of this MD&A) 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 interest, income taxes, depreciation and amortization 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, both of which are calculated using Consolidated EBITDA. Non-compliance with these financial covenants could result in a requirement to immediately repay all amounts outstanding under our credit facility.

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

reflect our cash expenditures or requirements for capital expenditures or capital commitments;

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; or

reflect any cash requirements for assets being depreciated and amortized that may have to be replaced in the future.

[1] Canadian Natural Resources Limited (Canadian Natural), owner and operator of the Horizon Oil Sands mine site.

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Consolidated EBITDA excludes unrealized foreign exchange gains and losses and realized unrealized gains and losses on derivative financial instruments, which, in the case of unrealized losses may ultimately result in a liability that may 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.

**Significant Business Event**

As discussed in the Explanatory Notes Significant Business Event section of our annual MD&A for the year ended March 31, 2011, we recorded a $42.5 million revenue writedown (the revenue writedown ) for the three months and year ended March 31, 2011. This revenue writedown was related to the long-term overburden removal and mining services contract ( the Canadian Natural contract ) between our subsidiary, North American Construction Group Inc. (NACG) and our customer, Canadian Natural, at the Horizon Oil Sands mine near Fort McMurray, Alberta. The revenue writedown reduced total revenue related to the contract to the extent of total costs incurred, representing a zero profit margin and reduced unbilled revenue by the same amount. Revenue related to the Canadian Natural contract for the three and nine months ended December 31, 2011 was similarly recorded only to the extent of costs incurred, representing a zero profit margin for such periods.

On December 22, 2011, we signed a Memorandum of Understanding ( MOU ) with Canadian Natural that outlined new contractual terms to be incorporated into an amending agreement for the Canadian Natural contract. The MOU also established temporary contractual terms to guide both parties as we resumed overburden operations at the Horizon site on January 2, 2012. In addition, under the terms of the MOU, we received compensation from Canadian Natural of $4.3 million for outstanding change orders and $3.0 million for mobilization costs relating to the work suspension initiated by Canadian Natural on May 18, 2011. Canadian Natural also reduced its letter of credit requirement from $10.0 million to $5.0 million as part of the MOU.

On March 27, 2012, we reached an agreement with Canadian Natural on amendments to the Canadian Natural contract. The amending agreement included a $34.1 million settlement of past claims under the original contract. As a result, we did not record any additional revenue writedown. The $34.1 million payment was recorded as an increase in cash and cash equivalents with a corresponding reduction of the unbilled revenue balance for this customer, for the year ended March 31, 2012. Canadian Natural also eliminated its remaining $5.0 million letter of credit requirement for 2012 as part of the contract amendment.

The general terms of the original contract related to work scope remained in place, which includes providing overburden removal and tailings dyke construction services to Canadian Natural. However, the previous higher-risk unit-rate payment structure has now been replaced with a target-price contract structure, which includes both a minimum margin and a mechanism to earn additional margin by achieving mutually agreed upon productivity and safety targets. Accordingly, revenue from January 1, 2012 to the completion of the contract will be recognized under the amended contract structure. The amended contract revenue treatment will remain separate from the original contract revenue treatment.¿

In addition to the amending agreement, Canadian Natural committed to accelerate the buyout of approximately 30% of our assets that are contractually tied to the Canadian Natural contract ( contract-related assets ), some of which we owned outright and some of which we leased, along with all of the parts and tire-related inventory used by us on the Horizon site. As of March 27, 2012, Canadian Natural acquired approximately 85% of the identified contract-related assets with the remaining asset sales scheduled to occur as equipment leases expire later in 2012. The sale of the contract-related assets had the following effect on our audited consolidated financial statements for the year ended March 31, 2012:

$28.2 million reduction of property, plant and equipment and intangible assets.

$8.5 million reduction in inventory.

$16.5 million reduction of unbilled revenue.

The remaining $18.1 million unbilled revenue balance for this contract will be invoiced over the remaining life of the contract, unless Canadian Natural exercises its right to accelerate the purchase of further contract specific leased equipment, in which case the appropriate unbilled revenue amount will be applied against the proceeds of any such asset sale.

$66.1 million increase in accounts receivable for the proceeds of the contract-related asset sale, of which $47.9 million was paid on April 30, 2012.

$12.9 million increase in accounts payable, reflecting the outstanding balance of planned contract-related operating lease buyouts after the $6.2 million in operating lease buyouts executed on March 30, 2012.

¿ This paragraph contains forward-looking information. Please refer to Forward-Looking Information, Assumptions and Risk Factors for a discussion of the risks and uncertainties related to such information.

We anticipate $47.0 million of net proceeds upon final closing of the sale of the assets related to the Canadian Natural contract.¿

Because of the above transactions, we anticipate a reduction of approximately $8.0 million to $10.0 million in Canadian Natural contract-related operating lease and depreciation costs during fiscal 2013 and an equivalent reduction of contract revenue.¿

# B. Business Overview

**Business Overview**

We provide a wide range of heavy construction and mining, piling and pipeline installation services to customers in the Canadian oil sands, industrial construction, commercial and public construction and pipeline construction markets. Our primary market is the Canadian oil sands, where we support our customers mining operations and capital projects. While we provide services through all stages of an oil sands project s lifecycle, our core focus is on providing recurring services, such as contract mining, during the operational phase. For the year ended March 31, 2012, recurring services represented 87% of our oil sands business. Our principal oil sands customers include all four producers that are currently mining bitumen in Alberta: Syncrude[2], Suncor[3], Shell[4] and Canadian Natural. We focus on building long-term relationships with our customers and have provided services to each of them since inception of their respective projects. In the case of Syncrude and Suncor, these relationships span over 30 years.

We believe that we operate the largest fleet of equipment of any contract resource services provider in the oil sands. Our total fleet (owned, leased and rented) includes approximately 900 pieces of diversified heavy construction equipment supported by over 750 pieces of ancillary equipment. While our expertise covers mining, heavy construction, tailings management and mine reclamation services, underground services installation (fire lines, sewer, water, etc.) for industrial projects and piling and pipeline installation in many different locations, we have a specific capability operating in the harsh climate and difficult terrain of northern Canada, particularly in the Canadian oil sands.

We believe that our excellent safety record, coupled with our significant oil sands knowledge, experience, long-term customer relationships, equipment capacity, scale of operations and broad service offering, differentiate us from our competition. As such, our capabilities enable us to support our customers recurring services needs with respect to their new oil sands mining developments and expansions.

While our mining services are primarily focused on the oil sands, we believe that we have demonstrated our ability to successfully apply our oil sands knowledge and technology and put it to work in other resource development projects. We believe we are positioned to respond to the needs of a wide range of other resource developers and we remain committed to expanding our operations outside of the Canadian oil sands.

¿ This paragraph contains forward-looking information. Please refer to Forward-Looking Information, Assumptions and Risk Factors for a discussion of the risks and uncertainties related to such information.

2 Syncrude Canada Ltd. (Syncrude) operator of the oil sands mining and extraction operations for the Syncrude Project, a joint venture amongst Canadian Oil Sands Limited (37%), Imperial Oil Resources (25%), Suncor Energy Oil and Gas Partnership (12%), Sinopec Oil Sands Partnership (9%), Nexen Oil Sands Partnership (7%), Murphy Oil Company Ltd. (5%) and Mocal Energy Limited (5%).

3 Suncor Energy Inc. (Suncor).

4 Shell Canada Energy (Shell), a division of Shell Canada Limited, which is the operator of the oil sands mining and extraction operations on behalf of Athabasca Oil Sands Project (AOSP), a joint venture amongst Shell Canada Limited (60%), Chevron Canada Limited (20%) and Marathon Oil Corporation (20%).

**Five Year Business Performance**

The table below represents select financial data related to our business performance for the past five fiscal years:

| | Year ended March 31, | | | | |
|---|---|---|---|---|---|
| (dollars in thousands except ratios and per share amounts) | 2012 | 2011[1] | 2010 | 2009 | 2008 |
| **Operating Data** | | | | | |
| Revenue | $1,006,545 | $858,048 | $758,965 | $972,536 | $989,696 |
| Gross profit | 60,901 | 58,136 | 139,285 | 170,418 | 163,009 |
| Gross profit margin | 6.1% | 6.8% | 18.4% | 17.5% | 16.5% |
| Operating (loss) income[2] | (390) | (10,725) | 73,488 | (87,092) | 91,727 |
| Net (loss) income[2] | (21,162) | (34,650) | 28,219 | (135,404) | 41,534 |
| Consolidated EBITDA[3] | 56,978 | 84,101 | 121,644 | 139,446 | 131,932 |
| **Per Share Information** | | | | | |
| Net (loss) income - basic | $(0.58) | $(0.96) | $0.78 | $(3.76) | $1.16 |
| Net (loss) income - diluted | (0.58) | (0.96) | 0.77 | (3.76) | 1.13 |
| **Balance Sheet Data** | | | | | |
| Total assets | $749,993 | $682,957 | $706,920 | $629,275 | $802,336 |
| Total shareholders equity | 127,780 | 147,266 | 181,058 | 150,792 | 283,544 |
| Net debt to shareholders' equity[4] | 2.5:1 | 2.1:1 | 1.2:1 | 1.4:1 | 1.0:1 |

1 Financial results for the year ended March 31, 2011 include a $42.5 million revenue writedown related to the Canadian Natural contract.
2 Financial results for the year ended March 31, 2009 include a goodwill impairment charge of $176.2 million.
3 For a definition of Consolidated EBITDA and reconciliation to net income see Non-GAAP Financial Measures and Consolidated EBITDA in this MD&A.
4 Net debt is calculated as the net of Series 1 Debentures, 8 3/4% senior notes, current and non-recurring portion of swap liability, capital lease obligations and credit facilities, less cash equivalents.

An analysis of results for each of these fiscal years can be found in the annual MD&A for each corresponding year.

**Our Strategy**

For a discussion on our strategy see the Our Strategy section of our most recent AIF, which section is expressly incorporated by reference into this MD&A.

**Operations Overview**

Our business is organized into three operating segments: (i) Heavy Construction and Mining, (ii) Piling and (iii) Pipeline. Revenue generated from these three segments for the year ended March 31, 2012 is represented in the chart below:

A complete discussion on segment results can be found in Financial Results Segment Annual Results section of this MD&A.

**Heavy Construction and Mining**

Our Heavy Construction and Mining segment focuses primarily on providing surface mining support services for oil sands and other natural resource developers. This includes activities such as:

- land clearing, stripping, muskeg removal and overburden removal to expose the mining area;
- the supply of labour and equipment to supplement customers mining fleets supporting the mining of ore;
- general support services including road building, repair and maintenance for both mine and treatment plant operations, hauling of sand and gravel and relocation of treatment plants;
- construction related to the expansion of existing projects, site development and infrastructure; and
- environmental and tailings management services, including construction and modification of tailing ponds and reclamation of mined-out areas.

Most of these are classified as recurring services and represent the majority of services provided by our Heavy Construction and Mining segment. The segment also provides industrial site construction for mega-projects and underground utility installation for plant, refinery and commercial building construction.

**Piling**

Our Piling segment focuses primarily on the installation of various types of driven, drilled and screw piles, caissons and earth retention and stabilization systems. Our piling experience includes industrial projects in the oil sands and related petrochemical and refinery complexes. We have also been involved in a diverse range of commercial and community infrastructure projects. Through this work, we have gained experience in both small and large-scale projects.

Our Canadian piling operations extend from British Columbia to Ontario and more recently, into the US and abroad. The international operations acquired as part of our November 2010 acquisition of Cyntech Corporation[5] include a manufacturing facility in Texas and an established customer base for screw pile and pipeline anchor supply in the US, Columbia, Malaysia, Indonesia, Thailand and Russia.

**Pipeline**

Our Pipeline segment focuses on infrastructure development for oil and gas pipeline systems, including gathering and processing, transmission, storage and distribution, related maintenance and other specialty services. Known for its ability to execute technically and environmentally challenging projects, the Pipeline segment has the capacity and resources to handle pipe diameters ranging from two to 60 inches and operates across numerous remote geographical locations simultaneously.

This segment s volume is currently being driven by activity related to the Canadian oil sands, as well as shale gas plays such as the Horn River and Muskwa formations in Northeast British Columbia, which represent some of the world s largest proven reserves. The segment has also built significant new business in mainline pipe integrity testing and maintenance, which involves identifying weak portions of existing pipelines and carrying out repairs to reduce the risk of future leaks or ruptures.

**Revenue by Source**

Historically we have experienced steady growth in recurring services revenue from operating oil sands projects, with demand for these services largely unaffected by economic conditions. Over the past year, however, production at a number of our customers operations was disrupted by a series of unique events, including wildfires in Northern Alberta and a plant fire at Canadian Natural s main processing plant. This, in turn, temporarily reduced demand for recurring services.

Project development services revenue, meanwhile, has begun to recover from the recessionary conditions that prevailed from late 2008 through to the middle of 2011. As economic conditions have strengthened, several major oil sands projects have returned to the planning and development stages and activity levels in the commercial and industrial construction markets and pipeline construction sector have increased. This has helped to strengthen our project development revenues over the past 12-18 months.

The following graph displays the revenue generated from recurring services and project development services on a trailing 12-month basis at three-month intervals, from June 30, 2009 to March 31, 2012:

**Project Development Services Revenue**

Project development services revenue is typically related to capital construction projects and is therefore considered to be non-recurring. This revenue can be generated under lump-sum, unit-price, time-and-materials and cost-plus contracts. It can be included in backlog if generated under lump-sum, unit price or time-and-materials contracts and the scope is defined. This work is generally funded from our customers capital budgets.

**Recurring Services Revenue**

Recurring services revenue is derived from long-term contracts and site services contracts as described below:

*Long-term contracts*. This category consists of revenue generated from long-term contracts (greater than one year) with total contract values greater than $20.0 million. These contracts are for work that supports the operations of our customers and include long-term contracts for overburden removal and reclamation. Revenue in this category is typically generated under a unit-price contract structure and is included in our calculation of backlog. This work is generally funded from our customers operating budgets.

[5] We acquired the assets of Cyntech Corporation, a private Alberta-based company and Cyntech Anchor Systems LLC, its US based subsidiary, (collectively Cyntech) as at November 1, 2010. To facilitate the acquisition of Cyntech s assets, we established two Canadian subsidiaries, namely Cyntech Canada Inc. and Cyntech Services Inc.; and one US subsidiary, Cyntech U.S. Inc.

*Site services contracts*. This category of revenue is generated from our master services agreements with Suncor, Syncrude and Shell, longer-term equipment rental contracts and ad hoc work undertaken for our customers on an as-needed basis, such as work being done on a time-and-materials basis for Canadian Natural. This revenue is typically generated by supporting the ongoing operations of our customers and is therefore considered to be recurring. It is generated under either time-and-materials or unit-rate contracts depending on such things as the degree of complexity the completeness of engineering and the required schedule. Generally the more complex, less engineered or shorter notice type projects will be more likely be executed using a time-and-materials contract structure and because the work is not guaranteed, its potential revenue is not included in our calculation of backlog. This work is generally funded from our customers operating or maintenance capital budgets.

**Revenue by End Market**

During the fiscal year ended March 31, 2012, we provided services to four distinct end markets:

i. Canadian oil sands;

ii. Commercial and public construction;

iii. Industrial construction; and

iv. Pipeline construction.

The following graph displays the breakdown of revenue by end market on a trailing 12-month basis at three-month intervals, from June 30, 2009 to March 31, 2012:

**Canadian Oil Sands Market**

Our core end-market is the Canadian oil sands, where we generated 63% of our fiscal 2012 revenue. According to the Canadian Association of Petroleum Producers (CAPP), in 2011 the oil sands represented 97% of Canada s recoverable oil reserves with proven reserves of 169 billion barrels. This is the third largest proven oil reserve in the world, next to Saudi Arabia and Venezuela. It is also the world s largest reserve open to private sector investment. In 2011, oil sands production reached 1.6 million barrels per day ( bpd ), representing 53.6% of Canada s total oil production for that same year. CAPP estimates that oil sands production will grow by about 130% to 3.7 million bpd by 2025. CAPP further estimated that between 2001 and 2011, over $115 billion of capital was invested into the Canadian oil sands.

Oil sands are grains of sand covered by a thin layer of water and coated by heavy oil or bitumen. Bitumen, because of its structure, requires extraction techniques to separate it from the sand and other foreign matter. There are currently two main methods of extraction: (i) open pit mining, where bitumen deposits are sufficiently close to the surface to make it economically viable to recover the bitumen by treating mined sand in a surface plant; and (ii) in situ technology, where bitumen deposits are buried too deep for open pit mining to be cost effective. Operators instead inject steam into the deposit, lowering the viscosity of the bitumen so that the bitumen can be separated from the sand and pumped to the surface, leaving the sand in place. The choice of extraction method is entirely based on the geographic features of the land and the two methods are not interchangeable.

CAPP estimates that approximately half of 2011 oil sands production was extracted from five active mining projects, while the remaining half was extracted from approximately 17 active in situ projects. While the number of active and planned in situ projects far exceeds the number of mining projects, future total production from mining and in situ technology is expected to remain approximately equal according to CAPP and other industry estimates. This reflects the significantly larger size and higher production of the mining projects.

We support both in situ and mine development projects by providing project development services such as clearing, site preparation, piling and underground utilities installation during the three-to-four-year development and construction phase. The majority of our recurring services work is provided to customers operating oil sands mines, reflecting the additional support services required through the typical 40-year lifecycle of these projects. Our recurring services range from overburden removal to tailings management to site reclamation.

The requirement for recurring services typically grows as mines age. Mine operators tend to construct their plants closest to the easy-to-access bitumen deposits (less overburden and/or higher quality bitumen) to maximize profitability and cash flow at the beginning of their projects. As the mines move through their lifecycle, easy-to-access, high-quality bitumen deposits are depleted and operators must go greater distances and move more material to secure the required volume of oil sand to feed the plant at capacity.[6] As a result, the total capacity of digging and hauling equipment must increase, together with an increase in the ancillary equipment and services needed to support these activities. In addition, as the mine extends to new areas, operators will often relocate mine infrastructure in order to reduce haul distances. This creates demand for mine construction services in the expansion area, as well as reclamation services to remediate the mined-out area. Accordingly, the demand for recurring oil sands services grows even during periods of stable production because the geographical footprints of existing mines expands under normal operation.

*Current Canadian Oil Sands Business Conditions*

Project Development: Sustained favorable oil prices have set the stage for record levels of oil sands capital investment in 2012. CAPP estimates that 2012 capital expenditures will reach $20 billion, surpassing the previous record of $18.1 billion in 2008.

Part of the growth in oil sands capital spending is expected be driven by the development of new mines and the expansion of existing mine operations. Suncor and Total[7] have announced aggressive growth plans under their recently formed strategic alliance. Early earthworks activities are already under way at the Joslyn North Mine Project[8] and Suncor is set to commence construction at both their Voyageur[9] upgrader and Fort Hills[10] mine locations. Canadian Natural and Syncrude have also announced plans to increase spending on mine expansion and production improvement projects in 2012. ¿

A number of in-situ projects are also proceeding, including Husky Energy s Sunrise[11], ConocoPhillips Surmont[12], Cenovus Energy s[13] Foster Creek and Christina Lake projects, as well as Devon Canada s[14] Jackfish projects. In addition, Suncor is proceeding with additional stages of its Firebag in situ project.

Spending on Energy Resources Conservation Board (ERCB) Directive 074[15]-related tailings projects is expected to increase during the remainder of 2012. Suncor has committed to spend more than $1 billion on its new TRO[16] tailings management approach while Canadian Natural plans to spend $215 million on tailings management projects in 2012, compared to $45 million in 2011. We expect the increased focus on tailings management could create further opportunities for our Heavy Construction and Mining segment in fiscal 2013.¿

Recurring Services: According to CAPP, oil production from mining projects is forecasted to rise 13% in 2012 compared to 2011, reflecting the production start-up at Exxon s Kearl project and resumption of normal production at all operating mines. While this is expected to support increased demand for recurring services, it has become more challenging to predict when specific work will be performed. Following the 2008 economic downturn, oil sands operators shifted their focus from controlling schedules to controlling costs. Some producers re-engineered mine plans to reduce costs, causing last-minute delays in planned work, while others intentionally deferred planned work. We believe that the impact of these cost-control measures will be likely short-term as the delayed and deferred activities are ultimately required for the continued operation of the mine.¿

In addition to scheduling delays, some customers may continue to attempt to insource services that would have otherwise been outsourced. Our past experience suggests that producers who experiment with insourcing mining services eventually return to outsourcing due to the increased flexibility and overall lower cost of the contracting model.

In the short term, these variables have reduced visibility on upcoming demand for third-party mining support services. However, demand for other types of recurring service, such as overburden removal and both wet tailings and mine reclamation activities, is expected to improve in fiscal 2013. This view is supported by the resumption of overburden removal activity at the Canadian Natural Horizon Mine site in January 2012 under our amended contract, as well as by the increased reclamation activity at new and existing oil sands mining operations.¿

6 As oil sand quality declines (lower quantity of oil per $m^3$ of sand), it is necessary to mine a greater volume to achieve the same volume of produced oil; as overburden thickens (the oil sands seam generally dips to the south), it is necessary to mine a greater volume of overburden to expose the mineable oil sands.

7 Total E&P Canada Ltd. (Total), a wholly owned subsidiary of Total SA.

8 Joslyn North Mine Project (Total Joslyn), a joint venture amongst Total (38.25%), Suncor (36.75%), Occidental Petroleum Corporation (15%) and Inpex Corporation (10%). Total is the operator oil sands mining and extraction operations of the Joslyn North Mine Project.

9 Voyageur Upgrader Project (Suncor Voyageur), a joint venture amongst Suncor (51%) and Total (49%). Suncor is the operator of the project.

10 Fort Hills LP (Suncor Fort Hills), a limited partnership between Suncor Energy Inc. (40.8%), Total (39.2%) and Teck Resources Ltd. (20%). Suncor is the operator of the oil sands mining operations of Fort Hills.

11 Husky Energy Inc. s (Husky Energy) Sunrise Oil Sand project is a 50/50 joint venture with BP Canada Energy Company (BP), a wholly owned subsidiary of BP PLC. The Sunrise project is operated by Husky Energy.

[12] ConocoPhillips Canada Resources Corporation s (ConocoPhillips) Surmount Oil Sand in situ project is a 50/50 joint venture between ConocoPhillips Canada, a wholly owned subsidiary of ConocoPhillips Company and Total. ConocoPhillips Canada is the project operator.

[13] Cenovus Energy Inc. (Cenovus Energy) is the operator of the Foster Creek and Christina Lake Oil Sands Projects. Both projects are 50/50 joint ventures with ConocoPhillips.

[14] Devon Canada Corporation (Devon Canada) is a wholly owned subsidiary of Devon Energy Corporation. Devon Canada is the operator of the Jackfish projects.

[15] Directive 074: Tailings Performance Criteria and Requirements for Oil Sands Mining Schemes , released February 3, 2009 by the Energy Resources Conservation Board (ERCB), an independent, quasi-judicial agency of the Government of Alberta, established to regulate the safe, responsible, and efficient development of Alberta's energy resources: oil, natural gas, oil sands, coal, and pipelines.

[16] Suncor s TRO (registered trade mark) process is designed to accelerate the settling and drying of mature fine tailings (MFT) materials to allow for a more timely reclamation process to meet ERCB Directive 74 requirements.

¿ This paragraph contains forward-looking information. Please refer to Forward-Looking Information, Assumptions and Risk Factors for a discussion of the risks and uncertainties related to such information.

**Commercial and Public Construction Market**

We provide construction services, primarily piling and shoring wall construction, to the commercial and public construction markets in British Columbia, Alberta, Saskatchewan and Ontario.

*Current Commercial and Public Construction Business Conditions*

Construction activity in Canada remains strong, according to the Government of Canada s Construction Sector Council, with $36.8 billion in planned commercial, institutional and government construction projects in 2012. In its five-year forecast, the Council anticipates construction spending of approximately $200 billion, with commercial construction leading the way. British Columbia, Alberta, Saskatchewan and Ontario account for over 65% of total planned spending in the Council s forecast.

**Industrial Construction Market**

In addition to commercial and public construction and beyond our oil sands construction activities, we pursue a variety of industrial construction opportunities.

The resource mining industry is of special interest to us with Canada being one of the largest mining nations in the world. In particular, Canada is the largest producer of potash, accounting for more than one-third of the world s potash production and exports. We currently provide services to this sector through our Piling segment. With several potash mine expansions and new developments in the planning stages, we believe this is a potential growth market for our construction services.¿

While potash deposits are mainly located in Saskatchewan, minerals such as copper, gold, coal and cobalt are prevalent in British Columbia. The BC government has recently approved the expansion of nine existing mines and the opening of eight new mines in the province by 2015. These projects not only create new opportunities for us to compete for work, they also potentially reduce the number of our current competitors seeking work in the oil sands.¿

The conventional oil and gas industry is another source of industrial construction projects. For example, we have been providing industrial and piling services to CCRL's heavy oil upgrader revamp and expansion project in Regina for the past three years.

*Current Industrial Construction Business Conditions*

Canada s resource sector continues to strengthen as evidenced by a record $3.9 billion in exploration and deposit appraisal expenditures in 2011. Precious metals have been the main target for exploration as economic uncertainty in the United States and Europe has elevated gold prices. Mine development activity is also expected to track at high levels, supported by strong prices and demand from emerging markets.

We believe we are in a position to benefit from the resurgence in mineral resource spending. For example, we are currently executing a contract to erect structural steel at Thompson Creek's Mt. Milligan Copper/Gold Project. This is our first contract of this nature and we plan to build on this experience to pursue further opportunities within the resource mining sector.¿

**Pipeline Construction Market**

We provide pipeline installation and facility construction services to Canada s conventional oil and gas producers and pipeline transmission companies. Conventional oil and gas producers typically require pipeline installation services in order to connect producing wells to existing pipeline systems, while pipeline transmission companies install larger diameter pipelines to carry oil and gas to market.

According to the Canadian Energy Pipeline Association (CEPA), Canada contains over 100,000 km of liquids and natural gas transmission pipeline, which transports approximately 3.2 million barrels of crude oil and equivalents per day and 15 billion cubic feet of natural gas per day to various distribution points in Canada and the US. In addition to these large transmission lines, there are 725,000km of gathering and delivery lines that spread throughout the country. According to CAPP, current pipeline capacity of 3.5 million barrels per day to the US Midwest is in excess of the refining capacity in that area, most notably at Cushing, Oklahoma. As a result, various major pipeline projects have been announced that will transport oil to available refining capacity in other areas of the US and China.

*Current Pipeline Construction Business Conditions*

Development of pipeline infrastructure to new markets outside of the US Midwest has become critical to the success of Western Canadian oil and gas producers. Increased demand for new pipeline assets is starting to create a shift to more favourable market conditions for pipeline contractors. In response to the supply glut at Cushing, the US regulatory agencies are expected to approve TransCanada [19]s Keystone southern extension to transport oil from Cushing to available refining capacity on the US Gulf Coast. We believe the construction of the southern extension will likely tie up available contractor capacity in the US and reduce bidding competition on pipeline projects that have been announced for Western Canada. In anticipation of constrained contractor supply, we believe opportunities may arise to negotiate low-risk cost-plus or time-and-materials contracts, which eliminate many of the inherent risks of lump-sum contracts.¿

¿ This paragraph contains forward-looking information. Please refer to  Forward-Looking Information, Assumptions and Risk Factors  for a discussion of the risks and uncertainties related to such information.

17 Consumers Co-operative Refinery Limited (CCRL) is a wholly owned subsidiary of Federation Co-operatives Limited.

18 Thompson Creek Metals Company Inc., owner of the Mt. Milligan Copper / Gold project in Central British Columbia.

19 TransCanada Pipelines Limited (TransCanada)

In addition, we have seen increased demand for pipeline integrity services as spending on testing and maintenance of Canada s aging pipeline infrastructure increases. Demand for integrity testing and maintenance services creates more steady recurring activity in our pipeline segment and the services are typically performed under low-risk cost-plus or time-and-materials contracts. We currently provide these services to a major Canadian pipeline company under a multi-year master services agreement and have seen demand increase in recent months. We intend to pursue additional contract opportunities in this field as they become available.¿

## C. Financial Results

**Summary of Consolidated Annual Results**

| | Year Ended March 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (dollars in thousands, except per share amounts) | 2012 | % of Revenue | 2011 | % of Revenue | 2010 | % of Revenue | 2012 vs 2011 Change | 2012 vs 2010 Change |
| **Revenue** | $1,006,545 | 100.0% | $858,048 | 100.0% | $758,965 | 100.0% | $148,497 | $247,580 |
| Project costs | 610,821 | 60.7% | 456,119 | 53.2% | 301,307 | 39.7% | 154,702 | 309,514 |
| Equipment costs | 220,738 | 21.9% | 234,933 | 27.4% | 209,408 | 27.6% | (14,195) | 11,330 |
| Equipment operating lease expense | 65,185 | 6.5% | 69,420 | 8.1% | 66,329 | 8.7% | (4,235) | (1,144) |
| Depreciation | 48,900 | 4.9% | 39,440 | 4.6% | 42,636 | 5.6% | 9,460 | 6,264 |
| **Gross profit** | 60,901 | 6.1% | 58,136 | 6.8% | 139,285 | 18.4% | 2,765 | (78,384) |
| General and administrative expenses | 54,400 | 5.4% | 59,828 | 7.0% | 62,516 | 8.2% | (5,428) | (8,116) |
| Operating (loss) income | (390) | 0.0% | (10,725) | -1.2% | 73,488 | 9.7% | 10,335 | (73,878) |
| **Net (loss) income** | (21,162) | -2.1% | (34,650) | -4.0% | 28,219 | 3.7% | 13,488 | (49,381) |
| Per share information | | | | | | | | |
| Net (loss) income basic | $(0.58) | | $(0.96) | | $0.78 | | $0.38 | $(1.36) |
| Net (loss) income diluted | (0.58) | | (0.96) | | 0.77 | | 0.38 | (1.35) |
| EBITDA[(1)] | $56,542 | 5.6% | $31,873 | 3.7% | $112,333 | 14.8% | $24,669 | $(55,791) |
| **Consolidated EBITDA**[(1)] (as defined within the credit agreement) | $56,978 | 5.7% | $84,101 | 9.8% | $121,644 | 16.0% | $(27,123) | $(64,666) |

(1) A reconciliation of net (loss) income to EBITDA and Consolidated EBITDA is as follows:

| | Year Ended March 31, | | |
|---|---|---|---|
| (dollars in thousands) | 2012 | 2011 | 2010 |
| Net (loss) income | $(21,162) | $(34,650) | $28,219 |
| Adjustments: | | | |
| Interest expense | 30,325 | 29,991 | 26,080 |
| Income tax (benefit) expense | (7,223) | (6,448) | 13,679 |
| Depreciation | 48,900 | 39,440 | 42,636 |
| Amortization of intangible assets | 5,702 | 3,540 | 1,719 |
| **EBITDA** | $56,542 | $31,873 | $112,333 |
| Adjustments: | | | |
| Unrealized foreign exchange (gain) loss on senior notes | | | (48,920) |
| Realized and unrealized (gain) loss on derivative financial instruments | (2,382) | (2,305) | 54,411 |
| Loss on disposal of property, plant and equipment | 1,741 | 1,948 | 1,233 |
| (Gain) loss on disposal of assets held for sale | (466) | 825 | 373 |
| Stock-based compensation expense | 1,629 | 2,191 | 2,258 |
| Equity in (earnings) loss of unconsolidated joint venture | (86) | 2,720 | (44) |
| Loss on debt extinguishment | | 4,324 | |
| Revenue writedown on Canadian Natural project | | 42,525 | |
| **Consolidated EBITDA** | $56,978 | $84,101 | $121,644 |

¿ This paragraph contains forward-looking information. Please refer to Forward-Looking Information, Assumptions and Risk Factors for a discussion of the risks and uncertainties related to such information.

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**Revenue**

For the year ended March 31, 2012, revenues increased to $1.0 billion, $148.5 million higher than in the year ended March 31, 2011 and $247.6 million higher than in the year ended March 31, 2010.

As discussed in the Explanatory Notes Significant Business Event section of this MD&A, we signed an amending agreement for the Canadian Natural contract, which took effect January 1, 2012. The amended contract provides a revised payment structure that carries less risk for us than the unit-rate structure it replaces. We determined that contract-related revenue and profit generated under the Canadian Natural contract, after January 1, 2012, should reflect the amended payment terms. Revenue generated under the contract prior to December 31, 2011 is recognized only to the extent of costs.

Excluding revenues related to the Canadian Natural contract from the current and prior-year periods, consolidated revenue would have been $921.2 million for the year ended March 31, 2012, from $686.6 million and $621.5 million for the years ended March 31, 2011 and 2010, respectively.

Project development revenue for the year ended March 31, 2012 increased $139.1 million and $281.6 million compared to the years ended March 31, 2011 and March 31, 2010, respectively. A surge in construction activity across Western Canada contributed to an increase in Piling and Pipeline revenues for the year ended March 31, 2012, compared to the prior two years. Project development revenue in the current year was further supported by increased heavy civil construction activity at Total s Joslyn mine and increased light industrial construction activity at numerous sites across Western Canada. Increased tailings and environmental construction services for several oil sands customers also helped boost project development revenues in the current year. Customer budget concerns and extended design delays on certain oil sand projects dampened the current year heavy civil construction revenue improvements.

Recurring services revenue for the year ended March 31, 2012 climbed $95.5 million and $18.2 million over the years ended March 31, 2011 and March 31, 2010, respectively (excluding the Canadian Natural contract from both periods). This year s growth compared to the growth in each of the prior two years was driven by increased demand for reclamation, overburden removal and site services under new contracts with Suncor and Syncrude, as well as by increased tank services work for Imperial Oil performed by our Piling segment. These gains were partially offset by a reduction in mine support services at Shell and wild fires and site evacuations during the first quarter of the current year. Unseasonably warm winter temperatures in the fourth quarter further affected recurring revenues by affecting our ability to perform muskeg removal and reclamation activities that require frozen ground conditions. In addition, we experienced unexpected work stoppages at two major oil sands sites in the third and fourth quarters as clients looked to redesign projects or defer project spending to reduce costs.

**Gross profit**

For the year ended March 31, 2012, we achieved gross profit of $60.9 million compared to $58.1 million in the previous year and $139.3 million in the year ended March 31, 2010. Excluding activity in each period under the Canadian Natural contract, gross profit would have been $57.7 million (6.3% of revenue) for the year ended March 31, 2012, $89.4 million (13.0% of revenue) for the year ended March 31, 2011 and $131.0 million (21.1% of revenue) for the year ended March 31, 2010.

The reduction in adjusted gross margin compared to the previous two years primarily reflects a high volume of Pipeline revenue at negative margin and reduced margins in our Heavy Construction and Mining segment as a result of weather-related productivity impacts in the first quarter of fiscal 2012 and a reduced volume of higher-margin mine support services throughout the year. Additionally, recoveries of maintenance and lease costs dropped in the current year due to the unexpected work stoppages and unfavorable weather conditions discussed above, which negatively affected utilization of our larger-sized equipment fleet during the winter period.

Project costs, as a percentage of revenue, were 60.7% during the year ended March 31, 2012, compared to 53.2% for the year ended March 31, 2011 and 39.7% for the year ended March 31, 2010. The increase in project costs reflects higher volumes of more labour-intensive pipeline, piling and civil construction activity and a corresponding reduction in mine support services during the period.

Equipment costs represented 21.9% of revenue during the year ended March 31, 2012, compared to 27.4% in the year ended March 31, 2011 and 27.6% for the year ended March 31, 2010. The reduction in equipment costs as a percentage of revenue in fiscal 2012 compared to fiscal 2011 reflects the work mix impact discussed above. The decrease in equipment costs as a percentage of revenue in fiscal 2012 compared to fiscal

2010 reflects the current year change in project mix and the use of higher-cost rental equipment.

Equipment operating lease expense was $65.2 million for the 2012 fiscal year, compared to $69.4 million and $66.3 million in the years ended March 31, 2011 and March 31, 2010, respectively. The decrease in operating lease expense in fiscal 2012 compared to fiscal 2011 reflects a $5.5 million reduction in accrued over-hour liability resulting from a $2.8 million benefit from lease amendments and lower operating hours on our large mining equipment. The decrease in operating lease expense in fiscal 2012, compared to fiscal 2010, reflects an $8.7 million benefit from lease amendments and reduced operating hours offset by increased lease costs from heavy equipment additions in support of the Canadian Natural contract.

We recorded depreciation of $48.9 million (4.9% of revenue) for the year ended March 31, 2012, compared to $39.4 million (4.6% of revenue) for the year ended March 31, 2011 and $42.6 million (5.6% of revenue) for the year ended March 31, 2010. We recorded a $9.8 million charge to depreciation, in the current year, specific to an asset impairment of an older fleet of trucks that was under-performing compared to our targeted reliability levels. This compares to the $1.0 million asset impairment charges to depreciation, recorded in each of the years ended March 31, 2011 and March 31, 2010.

**Operating (loss) income**

For the year ended March 31, 2012, we recorded an operating loss of $0.4 million, compared to an operating loss of $10.8 million during the year ended March 31, 2011 and operating income of $73.5 million during the year ended March 31, 2010. During the 2011 fiscal year, revenue and gross profit were reduced by the $42.5 million revenue writedown related to the Canadian Natural contract. Excluding the Canadian Natural contract, operating loss would have been $3.6 million for the year ended March 31, 2012 compared to operating income of $20.6 million (3.0% of revenue) and $65.2 million (10.5% of revenue), for the years ended March 31, 2011 and 2010, respectively. General and administrative ( G&A ) expense of $54.4 million for the year ended March 31, 2012 was $5.4 million and $8.1 million lower than in the years ended March 31, 2011 and March 31, 2010, respectively. The decrease in 2012 G&A expense reflects reductions in stock-based compensation expense resulting from a decrease in our share price year-over-year. Current year short-term incentive program costs were equivalent to fiscal 2011, but lower in fiscal 2010 because of reduced profitability.

**Net (loss) income**

For the year ended March 31, 2012, we recorded a net loss of $21.2 million (basic and diluted loss per share of $0.58), compared to net loss of $34.7 million (basic and diluted loss per share of $0.96) for the year ended March 31, 2011 and net income of $28.2 million (basic income per share of $0.78 and diluted income per share of $0.77) for the year ended March 31, 2010. The non-cash, non-recurring items benefitting current-year results included the reversal of the embedded derivative in the Canadian Natural contract, resulting from changes to the pricing structure of the contract. This impact was partially offset by unrealized losses on embedded derivatives in certain long-term supplier contracts. Excluding the non-cash items, net loss would have been $23.0 million (basic and diluted loss per share of $0.63) for the year ended March 31, 2012.

In the 2011 fiscal year, the net loss was $34.7 million, largely due to the $42.5 million revenue writedown ($31.8 million after-tax loss) related to the Canadian Natural contract. Excluding only the revenue writedown, net loss would have been $2.9 million (basic and diluted loss per share of $0.08) for the year ended March 31, 2011. Non-cash, non-recurring items affecting results included unrealized gains on embedded derivatives in certain supplier contracts and our long-term overburden removal contract. These gains were offset by the write-off of deferred financing costs on the settlement of the 8 $^{3}/4$% senior notes and losses on the cross-currency and interest rate swaps. Excluding the non-cash items, net loss for the year ended March 31, 2011 would have been $0.7 million (basic and diluted loss per share of $0.02).

Net income of $28.2 million for the year ended March 31, 2010 was positively affected by the foreign exchange impact of the strengthening Canadian dollar on our 8 $^{3}/4$% senior notes, gains on the interest rate swaps, gains relating to embedded derivatives in long-term supplier contracts and the redemption option in our 8 $^{3}/4$% senior notes. These items were partially offset by a loss on our cross-currency swaps and a loss relating to embedded derivatives in a long-term customer contract. Excluding the non-cash items, net income for the year ended March 31, 2010 would have been $20.9 million (basic income per share of $0.58 and diluted income per share of $0.57).

**Segment Annual Results**

**Heavy Construction and Mining**

| | Year Ended March 31, | | | Change | |
|---|---|---|---|---|---|
| (dollars in thousands) | 2012 | 2011 | 2010 | 2012 vs 2011 | 2012 vs 2010 |
| Segment revenue | $670,720 | $667,037 | $665,514 | $3,683 | $5,206 |
| Segment profit | $86,567 | $50,703 | $111,016 | $35,864 | $(24,449) |
| Segment margin | 12.9% | 7.6% | 16.7% | | |

For the year ended March 31, 2012, the Heavy Construction and Mining segment reported revenue of $670.7 million, a $3.7 million increase from fiscal 2011 and a $5.2 million increase from fiscal 2010. An otherwise strong start to the 2012 fiscal year was interrupted by wildfires in the Fort McMurray area, which necessitated the evacuation of all personnel from Shell s site for two weeks and from Canadian Natural s Horizon site for three weeks. Canadian Natural subsequently suspended our involvement in their overburden removal activity for a period of ten months as it repaired a processing plant damaged in a separate fire.

Excluding activity from the Canadian Natural contract, adjusted revenue increased to $585.4 million for the year ended March 31, 2012, from $495.6 million and $528.0 million for the years ended March 31, 2011 and 2010, respectively. The improvement in adjusted 2012 revenue compared to fiscal 2011 reflects:

- increased reclamation, overburden and heavy civil construction work at Suncor s Base Mine under our five-year master services contract with this customer;

- increased site services and overburden removal activity at Syncrude;
- increased light civil construction work at several oil sands sites, CCRL s Co-op refinery in Saskatchewan and Thompson River s Mt. Milligan Copper/Gold Project in British Columbia;
- the provision of specialized tailings and environmental construction services to Suncor, Syncrude and Shell;
- the initiation of mine construction activity at Total s Joslyn Mine;
- heavy civil construction work at the MacKay River site of the PetroChina Dover SAGD project[20];
- increased heavy civil construction work at Shell in support of this customer s new Atmospheric Fines Drying (AFD) tailings technology; and
- a high volume of summer muskeg removal activity.

These gains were partially offset by:

- the negative impact of wildfires in the first quarter;
- unseasonably warm winter weather, which affected our ability to perform muskeg removal and reclamation during the fourth quarter; and
- an unexpected work stoppage at one client site related to the deferral of a major tailings project into the following year and a stoppage of overburden removal work at a second site related to changes in the client s mine plan, resulting in reduced activity while our client identified alternate scopes of work.

The improvement in adjusted fiscal 2012 revenue compared to the adjusted fiscal 2010 revenue, reflects the benefits of a master services contract signed with Suncor and the start-up of mine preparation activity at Total s Joslyn Mine late in the current fiscal year. At Shell, an increase in heavy civil construction work and summer muskeg removal activity could not offset the significant year-over-year decline in mine service activity and the completion of mine development work at Shell s Jackpine mine, which was commissioned during fiscal 2010. Segment results for the year ended March 31, 2010 benefitted from a partial redeployment of our Canadian Natural-based fleet to support activity at other mines during the plant commissioning related shutdown of our overburden removal activity for Canadian Natural.

For the year ended March 31, 2012, Heavy Construction and Mining segment generated a margin of 12.9% of revenue, compared to 7.6% during the year ended March 31, 2011 and 16.7% for the year ended March 31, 2010. Excluding revenue and profit from the Canadian Natural contract, segment margin would have been 14.2% for the year ended March 31, 2012, compared to 16.5% and 19.5% for the years ended March 31, 2011 and 2010, respectively. The reduction in fiscal 2012 adjusted segment margin, compared to fiscal 2011, reflects continued pricing pressure due to the current oversupply of equipment capacity in the market, together with project start-up delays and unexpected work stoppages during the period. These impacts were partially offset by strong margins on our increased volume of heavy civil construction projects. The reduction in adjusted segment margin in fiscal 2012, compared to fiscal 2010, reflects the same negative effect of pricing pressures and a reduction in higher-margin mine services activity. The strong margin performance in fiscal 2010 also reflects the completion of higher-margin project development work at Shell s Jackpine mine.

**Piling**

| | Year Ended March 31, | | | Change | |
|---|---|---|---|---|---|
| (dollars in thousands) | 2012 | 2011 | 2010 | 2012 vs 2011 | 2012 vs 2010 |
| Segment revenue | $185,321 | $105,559 | $68,531 | $79,762 | $116,790 |
| Segment profit | $46,012 | $18,455 | $11,288 | $27,557 | $34,724 |
| Segment margin | 24.8% | 17.5% | 16.5% | | |

For the year ended March 31, 2012, Piling segment revenue climbed to $185.3 million, a $79.8 million increase from the year ended March 31, 2011 and a $116.8 million increase compared to the year ended March 31, 2010. These improvements reflect the continued recovery of commercial and industrial construction markets which has helped drive piling demand across all regions. Additionally, fiscal 2012 revenue includes $35.8 million from a full year s operation of the Cyntech business, acquired in November 2010, compared to a $7.3 million contribution during five months of operation in fiscal 2011. Fiscal 2010 Piling revenue reflects the negative impact of the economic downturn on commercial and industrial construction markets and reduced project development activity in the oil sands.

For the year ended March 31, 2012, Piling segment margins increased to 24.8% of revenue, up from 17.5% and 16.5% for the years ended March 31, 2011 and 2010, respectively. The significant improvement in fiscal 2012 results reflects increased volumes, improved pricing and above average productivity performance on a number of piling jobs completed during the period. It also reflects an $8.8 million profit contribution from Cyntech, compared to the $0.9 million part-year contribution in fiscal 2011. The strong fiscal 2012 segment results benefitted from the unseasonably warm weather during the fall / winter period,

[20] PetroChina Dover SAGD project (PetroChina Dover) is owned by PetroChina International Investment Ltd. The project is operated by Dover Operating Corp, a joint venture between Cretaceous Oilsands Holdings Ltd, a wholly owned subsidiary of PetroChina (60%) and Alberta Oil Sands Corp. (AOSC) (40%).

allowing them to complete work efficiently during this period compared to the higher-than-normal precipitation levels across Canada in the spring, which delayed the start-up of new projects and negatively affected production schedules.

**Pipeline**

| | Year Ended March 31, | | | Change | |
|---|---|---|---|---|---|
| (dollars in thousands) | 2012 | 2011 | 2010 | 2012 vs 2011 | 2012 vs 2010 |
| Segment revenue | $ 150,504 | $ 85,452 | $ 24,920 | $ 65,052 | $ 125,584 |
| Segment loss | $ (11,322) | $ (3,034) | $ (3,851) | $ (8,288) | $ (7,471) |

For the year ended March 31, 2012, the Pipeline segment reported revenues of $150.5 million, a $65.1 million increase over the year ended March 31, 2011 and a $125.6 million increase over the year ended March 31, 2010. The increase in fiscal 2012 revenue compared to fiscal 2011 primarily reflects the execution of two large-diameter pipeline projects in Northeast British Columbia and Northern Alberta. It also includes the start-up of pipeline maintenance activity under a cost-reimbursable contract covering integrity dig programs work in Saskatchewan and Manitoba. Activity during fiscal 2011 included the substantial completion of two large-diameter pipeline projects in Northern British Columbia, while activity during fiscal 2010 included one large-diameter pipeline project in Southern British Columbia.

The Pipeline segment recorded a loss of $11.3 million in fiscal 2012 as a result of higher-than-anticipated cost escalation on materials and site overhead costs on the two large-diameter pipeline projects, along with an increase in estimated costs to complete spring clean-up and warranty work on the two prior-year projects in Northern British Columbia. Partially offsetting the segment loss was a positive margin on the new pipeline maintenance contract. The segment losses for the years ended March 31, 2011 and 2010 reflect the realization of risks undertaken as part of contracts negotiated during the recession, as well as the negative impact of weather delays on productivity.

The Pipeline segment currently has unsigned change orders for projects completed in each of the years ended March 31, 2012, 2011 and 2010. These relate to unfavorable weather beyond the risk assumed within the contracts, changes in construction methodology, changes in environmental compliance requirements and significant changes to project scope. Consistent with our normal method of accounting for claims, we have recognized $21.2 million of revenue for the current period, only to the extent of costs incurred until the outstanding claims are resolved. The Pipeline segment has been actively working with its customers to expedite the execution of these unsigned change orders.

**Summary of Consolidated Three Month Results**

| | Three Months Ended March 31, | | | | |
|---|---|---|---|---|---|
| (dollars in thousands, except per share amounts) | 2012 | % of Revenue | 2011 | % of Revenue | Change |
| **Revenue** | $282,506 | 100.0% | $174,510 | 100.0% | $107,996 |
| Project costs | 183,489 | 65.0% | 98,383 | 56.4% | 85,106 |
| Equipment costs | 61,631 | 21.8% | 64,753 | 37.1% | (3,122) |
| Equipment operating lease expense | 15,556 | 5.5% | 16,080 | 9.2% | (524) |
| Depreciation | 20,961 | 7.4% | 12,682 | 7.3% | 8,279 |
| **Gross profit (loss)** | 869 | 0.3% | (17,388) | -10.0% | 18,257 |
| General and administrative expenses | 14,662 | 5.2% | 14,313 | 8.2% | 349 |
| Operating loss | (15,812) | -5.6% | (35,330) | -20.2% | 19,518 |
| **Net loss** | (16,877) | -6.0% | (30,452) | -17.5% | 13,575 |
| Per share information | | | | | |
| Net loss basic | $(0.47) | | $(0.84) | | $0.37 |
| Net loss diluted | (0.47) | | (0.84) | | 0.37 |
| EBITDA(1) | $7,828 | 2.8% | $(19,426) | -11.1% | $27,254 |
| **Consolidated EBITDA**(1) (as defined within the credit agreement) | $7,561 | 2.7% | $24,004 | 13.8% | $(16,443) |

(1) A reconciliation of net loss to EBITDA and Consolidated EBITDA is as follows:

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| (dollars in thousands) | Three Months Ended March 31, 2012 | 2011 |
|---|---|---|
| Net loss | $(16,877) | $(30,452) |
| Adjustments: | | |
| Interest expense | 7,801 | 7,361 |
| Income tax benefit | (5,296) | (10,305) |
| Depreciation | 20,961 | 12,682 |
| Amortization of intangible assets | 1,239 | 1,288 |
| **EBITDA** | $7,828 | $(19,426) |
| Adjustments: | | |
| Realized and unrealized gain on derivative financial instruments | (1,422) | (1,965) |
| Loss on disposal of property, plant and equipment | 1,040 | 520 |
| Gain on disposal of assets held for sale | (10) | (23) |
| Stock-based compensation expense | 375 | 529 |
| Equity in (gain) loss on consolidated joint venture | (250) | 1,844 |
| Revenue writedown on Canadian Natural project | | 42,525 |
| **Consolidated EBITDA** | $7,561 | $24,004 |

**Revenue**

For the three months ended March 31, 2012, consolidated revenue increased to $282.5 million, from $174.5 million in the same period last year. Excluding revenues related to the Canadian Natural contract from the current and prior-year periods, revenue would have increased to $252.0 million for the three months ended March 31, 2012, from $165.6 million during the same period last year.

The $86.4 million year-over-year increase in adjusted revenue reflects higher project development activity primarily driven by stronger construction activity across Western Canada leading to a $30.7 million increase in Piling revenues and a $42.7 million increase in Pipeline revenues. Project development revenue was further supported by heavy civil construction volumes at the Joslyn North Mine Project and light industrial construction activity at the Thompson River Mt. Milligan Copper/Gold Project in British Columbia.

The improvement in project development revenues was partially offset by a year-over-year decline in recurring services revenue. While demand for reclamation, overburden removal and site services increased under our new contracts with Suncor and Syncrude, we experienced lower mine services activity at Shell, unexpected work stoppages at a major oil sands site and a fourth quarter slowdown in muskeg removal and reclamation activity as a result of an unusually warm winter.

**Gross profit (loss)**

Gross profit for the three months ended March 31, 2012 was $0.9 million or 0.3% of revenue compared to a gross loss of $17.4 million during the same period last year. Excluding activity from the Canadian Natural contract from both periods, gross loss would have been $2.3 million for the three months ended March 31, 2012 compared to gross profit of $22.1 million or 13.3% of revenue, for the three months ended March 31, 2011. The year-over-year decline in gross profit (excluding the Canadian Natural contract writedown) reflects Pipeline segment losses and reduced Heavy Construction and Mining segment margin. Additionally, recoveries of maintenance and lease costs were reduced in the current-year due to lower utilization of our larger-sized heavy equipment fleet. The unexpected work stoppages and unfavorable winter weather conditions discussed above negatively affected our ability to fully deploy our equipment fleet during the period. Partially offsetting this reduced profitability was a significant increase in Piling segment profitability. Margins in the prior-year period reflect a loss on one lump-sum Pipeline project and lower margins in the Piling segment due to project losses and start-up delays.

Project costs, as a percentage of revenue, were 65.0% during the three months ended March 31, 2012, compared to 56.4% for the three months ended March 31, 2011. The increase in project costs reflects increased volumes of more labour-intensive pipeline, piling and civil construction activity and a corresponding reduction in the more equipment-intensive mine support services during the period. Equipment costs represented 21.8% of revenue during the three months ended March 31, 2012, compared to 37.1% in same period last year. The reduction also reflects the work mix impact discussed above.

Equipment operating lease expense was $15.6 million during the three months ended March 31, 2012 compared to $16.1 million in the same period last year. Depreciation increased to $21.0 million (7.4% of revenue), from $12.7 million (7.3% of revenue) last year. We recorded a $9.7 million charge to depreciation, in the current period, specific to an asset impairment of an older fleet of trucks that was under-performing compared to our targeted reliability levels. This compares to the recording of a $0.9 million asset impairment charge to depreciation in the prior period.

**Operating loss**

For the three months ended March 31, 2012, we recorded an operating loss of $15.8 million, compared to an operating loss of $35.3 million during the same period last year. Revenue and gross profit in the prior-year period were reduced by the $42.5 million writedown related to the Canadian Natural contract. Excluding activity from the Canadian Natural contract, operating loss for the three-months ended March 31, 2012 would have been $19.0 million compared to operating income of $4.2 million, or 2.5% of revenue for the prior period. G&A expense for the three months ended March 31, 2012 increased by $0.3 million, reflecting higher employee costs, partially offset by reductions in stock-based compensation expense resulting from a decrease in our share price year-over-year.

**Net loss**

For the three months ended March 31, 2012, we recorded a loss of $16.9 million (basic and diluted loss per share of $0.47), compared to a net loss of $30.5 million (basic and diluted loss per share of $0.84) during the same period last year. Revenue and gross profit in the prior-year period were reduced by the $42.5 million writedown. Excluding this writedown, net loss would have been $2.9 million (basic and diluted loss per share of $0.08). Non-cash, non-recurring items affecting net income included non-cash gains on embedded derivatives. Non-cash, non -recurring items affecting net income for the same period last year included non-cash gains on embedded derivatives in a long-term customer contract and certain long-term supplier contracts. Excluding these non-cash items in the current and prior-year periods, net loss would have been $18.0 million (basic and diluted loss per share of $0.50) down from a net loss of $0.2 million (basic and diluted loss per share of $0.01).

**Segment Three Month Results**

**Heavy Construction and Mining**

| | Three Months Ended March 31, | | |
|---|---|---|---|
| (dollars in thousands) | 2012 | 2011 | Change |
| Segment revenue | $181,094 | $146,475 | $34,619 |
| Segment profit (loss) | $23,418 | $(14,071) | $37,489 |
| Segment margin | 12.9% | -9.6% | |

For the three months ended March 31, 2012, the Heavy Construction and Mining segment increased revenues to $181.1 million, up $34.6 million from the same period last year. Excluding the activity from the Canadian Natural overburden removal activity from both periods, segment revenue would have increased by $13.0 million to $150.6 million for the three months ended March 31, 2012.

The segment achieved improved project development revenue during the period, reflecting the addition of heavy civil construction volumes at Total and light industrial construction activity at the Mt. Milligan Copper/Gold Project. These gains were partially offset by a reduction in recurring services revenue. While demand for reclamation, overburden removal and site services increased under new contracts with Suncor and Syncrude, lower mine services demand at Shell, unexpected work stoppages at two major oil sands sites and an unusually warm winter had a negative impact on recurring services results. The warm weather hampered our ability to perform muskeg removal and reclamation activities, both of which require frozen ground conditions. The unexpected work stoppages resulted firstly as a continuation of a third quarter stoppage, where the client ceased all work on a major tailings related project to allow time for reengineering and secondly when a second client s changes to their mine plan resulted in reduced activity while the client identified alternate scopes of work.

For the three months ended March 31, 2012, Heavy Construction and Mining segment margin was 12.9% compared to negative 9.6% during the same period last year. Adjusting profit and margin results to exclude the impact of the Canadian Natural contract from both periods, Heavy Construction and Mining segment profit for the three months ended March 31, 2012 would have been $20.2 million or 13.4% of revenue compared to $25.4 million or 18.5% in the same period last year. The reduction in adjusted segment margin reflects continued pricing pressure, the effect of the unseasonably warm weather on muskeg removal and reclamation productivity and costs incurred as a result of the unexpected work stoppages. The reduction in adjusted segment margin was partially offset by the increase in higher-margin heavy civil activity during the period.

**Piling**

| | Three Months Ended March 31, | | |
|---|---|---|---|
| (dollars in thousands) | 2012 | 2011 | Change |
| Segment revenue | $52,914 | $22,256 | $30,658 |
| Segment profit | $13,447 | $1,955 | $11,492 |
| Segment margin | 25.4% | 8.8% | |

The Piling segment achieved revenues of $52.9 million in the three months ended March 31, 2012, an increase of $30.7 million compared to the same period last year. The increase in Piling segment revenue reflects the strong recovery of commercial and industrial construction markets across Canada and its positive impact on piling demand. Favourable weather conditions contributed to the strong results by enabling completion of late-starting projects.

For the three months ended March 31, 2012, segment margin increased to 25.4% from 8.8% in the same period last year. Strong volumes across all regions and exceptional productivity during the unseasonably warm winter months led to the positive results for the current period. Segment margins for the prior-year period were negatively impacted by project start-up delays resulting from an abnormally long and cold winter in Alberta and Saskatchewan and margin reduction on a larger lump-sum contract.

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**Pipeline**

| (dollars in thousands) | Three Months Ended March 31, 2012 | 2011 | Change |
|---|---|---|---|
| Segment revenue | $48,498 | $5,779 | $42,719 |
| Segment loss | $(9,360) | $(1,549) | $(7,811) |

Pipeline revenues for the three months ended March 31, 2012 were $48.5 million, a $42.7 million increase from last year. Revenue in the current period primarily reflects the execution of two large-diameter pipeline projects in Northeast British Columbia and Northern Alberta and the start-up of the new pipeline maintenance cost-reimbursable contract. Revenue in the prior-year period was driven primarily by project closeout activity on two large diameter pipeline jobs in Northeast BC.

The segment loss for the three months ended March 31, 2012 resulted from higher-than-anticipated cost escalations on materials and site overhead costs for the two large-diameter pipeline projects underway in the division. It also reflects an increase in the estimated costs to complete spring cleanup and warranty work on the two prior-year projects in Northern British Columbia. Partially offsetting this segment loss were strong margins on the new pipeline maintenance contract and a recovery of costs on a large-diameter pipeline project undertaken in Southern British Columbia in fiscal 2010. Segment losses for the prior-year period reflect the realization of risks undertaken as part of contracts negotiated during the recession, as well as the negative impact of weather delays on productivity.

**Non-Operating Income and Expense**

| (dollars in thousands) | Three Months Ended March 31, 2012 | 2011 | Change | Year Ended March 31, 2012 | 2011 | 2010 | Change 2012 vs 2011 | Change 2012 vs 2010 |
|---|---|---|---|---|---|---|---|---|
| Interest expense | | | | | | | | |
| Long term debt | | | | | | | | |
| Interest on 8 3/4% senior notes and swaps | $ | $ | $ | $ | $1,238 | $19,041 | $(1,238) | $(19,041) |
| Interest on Series 1 Debentures | 5,132 | 5,133 | (1) | 20,531 | 20,132 | | 399 | 20,531 |
| Interest on credit facilities | 2,141 | 1,681 | 460 | 7,430 | 5,361 | 2,375 | 2,069 | 5,055 |
| Interest on capital lease obligations | 99 | 144 | (45) | 445 | 689 | 1,032 | (244) | (587) |
| Amortization of deferred financing costs | 393 | 366 | 27 | 1,591 | 1,609 | 3,348 | (18) | (1,757) |
| Interest on long term debt | $7,765 | $7,324 | $441 | $29,997 | $29,029 | $25,796 | $968 | $4,201 |
| Other interest | 36 | 37 | (1) | 328 | 962 | 284 | (634) | 44 |
| Total Interest expense | $7,801 | $7,361 | $440 | $30,325 | $29,991 | $26,080 | $334 | $4,245 |
| Foreign exchange (gain) loss | (18) | 31 | (49) | 52 | (1,659) | (48,901) | 1,711 | 48,953 |
| Realized and unrealized (gain) loss on derivative financial instruments | (1,422) | (1,965) | 543 | (2,382) | (2,305) | 54,411 | (77) | (56,793) |
| Loss on debt extinguishment | | | | | 4,346 | | (4,346) | |
| Income tax (benefit) expense | (5,296) | (10,305) | 5,009 | (7,223) | (6,448) | 13,679 | (775) | (20,902) |

**Interest expense**

Total interest expense increased $0.4 million in the three months ended March 31, 2012 and increased $0.3 million in the year ended March 31, 2012, compared to the corresponding periods in fiscal 2011. Total interest expense increased $4.2 million in the year ended March 31, 2012 compared to the year ended March 31, 2010.

In April 2010, we completed a debt restructuring which included a private placement of 9.125% Series 1 Debentures (Series 1 Debentures), the redemption and cancellation of all our outstanding 8 3/4% senior notes along with the termination of our cross currency and interest rate swaps. In addition, on April 30, 2010, we added borrowing capacity through a fourth amended and restated credit agreement and subsequently added a temporary increase to our revolving credit facility through second and third amending agreements, dated September 30, 2011 and March 27, 2012, respectively. A more detailed discussion on our Series 1 Debentures, our credit facilities and our debt restructuring can be found under Capital Resources .

At March 31, 2012, we had a total of $78.8 million outstanding under the credit facilities, compared to a total of $72.0 million outstanding under these facilities as at March 31, 2011 and $28.4 million as at March 31, 2010. Interest expense for the credit facilities was $2.1 million and $7.4 million for the three months and year ended March 31, 2012, respectively, compared to $1.7 million and $5.4 million, respectively, for the three months and year ended March 31, 2011 and $2.4 million for the year ended March 31, 2010. The increased interest expense in the current period reflects the cost of the higher amounts borrowed under the credit facilities.

The interest expense of $1.2 million on our 8 $^3$/4% senior notes for the year ended March 31, 2011 reflects interest costs to the redemption date. The senior notes redemption and associated swap agreement terminations eliminated the cost of hedging the foreign currency interest rate, which was reflected as a portion of realized and unrealized (gain) loss on derivative financial instruments . Foreign currency interest rate hedge costs were $15.6 million for the year ended March 31, 2010.

**Foreign exchange (gain) loss**

Our exposure to foreign currency risk was minimized with the redemption of our 8 $^3$/4% senior notes on April 28, 2010. The foreign exchange gains recognized in the year ended March 31, 2010 relate primarily to the effect of changes in the exchange rate of the Canadian dollar against the US dollar on the carrying value of the US$200 million 8 $^3$/4% senior notes. The increase in the value of the Canadian dollar, from 0.9846 CAN/US at March 31, 2010 to 0.9874 CAN/US at April 28, 2010 when the 8 $^3$/4% senior notes were redeemed, resulted in a realized foreign exchange gain for fiscal 2011. A more detailed discussion about our foreign currency risk can be found under Quantitative and Qualitative Disclosures about Market Risk Foreign exchange risk .

**Realized and unrealized (gain) loss on derivative financial instruments**

The realized and unrealized (gain) loss on derivative financial instruments reflects changes in the fair value of derivatives embedded in our previously outstanding US dollar denominated 8 $^3$/4% senior notes, as well as changes in the fair value of the cross-currency and interest rate swaps that we employed to provide an economic hedge for those senior notes. Realized and unrealized gains and losses also include changes in the value of embedded derivatives in long-term customer contracts and in supplier maintenance agreements. The realized and unrealized gains and losses on these derivative financial instruments, for the three months and years ended March 31, 2012 and 2011, respectively and the year ended March 31, 2010, are detailed in the table below:

| | Three Months Ended March 31, | | | Year Ended March 31, | | | | |
|---|---|---|---|---|---|---|---|---|
| (dollars in thousands) | 2012 | 2011 | Change | 2012 | 2011 | 2010 | Change 2012 vs 2011 | Change 2012 vs 2010 |
| Swap liability (gain) loss | $ | $ | $ | $ | $1,783 | $49,078 | $(1,783) | $(49,078) |
| Redemption option embedded derivative (gain) loss | | | | | | (3,716) | | 3,716 |
| Supplier contract embedded derivative (gain) loss | (1,422) | (1,686) | 264 | 3,495 | (3,812) | (13,315) | 7,307 | 16,810 |
| Customer contract embedded derivative (gain) loss | | (279) | 279 | (5,877) | (604) | 6,805 | (5,273) | (12,682) |
| Swap interest payment | | | | | 328 | 15,559 | (328) | (15,559) |
| **Total** | $(1,422) | $(1,965) | $543 | $(2,382) | $(2,305) | $54,411 | $(77) | $(56,793) |

The measurement of embedded derivatives, as required by GAAP, causes our reported net income to fluctuate as Canadian/US dollar exchange rates, interest rates and the US-PPI for Mining Machinery and Equipment change. The accounting for these derivatives has no impact on operations, Consolidated EBITDA (as defined within our credit agreement) or how we evaluate operating performance.

The swap liability loss reflects the changes in the fair value of the cross-currency and interest rate swaps that we employed to provide an economic hedge for our previously outstanding US dollar denominated 8 $^3$/4% senior notes. Changes in the fair value of these swaps generally had an offsetting effect to changes in the value of our previously outstanding 8 $^3$/4% senior notes (and resulting foreign exchange gains and losses), with both being triggered by variations in the Canadian/US dollar exchange rate. However, the valuations of the derivative financial instruments were also impacted by changes in interest rates and the remaining present value of scheduled interest payments on the swaps, which occurred in June and December of each year until termination of the swap agreements on April 8, 2010.

The redemption option embedded derivative gain in the year ended March 31, 2010 reflects changes in the fair value of a derivative embedded in our previously outstanding US dollar denominated 8 $^3$/4% senior notes. Changes in the fair value resulted from changes in long-term bond interest rates during a reporting period.

With respect to the supplier contracts, the fair value of the embedded derivative related to long-term supplier contracts decreased as a result of the strengthening of the Canadian dollar against the US dollar during the three months ended March 31, 2012 and 2011, respectively. Included in the embedded derivative valuation was the impact of fluctuations in provisions that require a price adjustment to reflect changes in the Canadian/US dollar exchange rate and the United States government published Producers Price Index (US-PPI) for Mining Machinery and Equipment from the original contract amount.

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As a result of the Memorandum of Understanding signed with Canadian Natural, a provision in the original contract that required adjustments to customer billings to reflect changes in exchange rates and price indices was eliminated. This effectively removed an embedded derivative from the contract and led to the reversal of the associated embedded derivate liability in the year ended March 31, 2012. Results from the three months and year periods in the prior year and for the year ended March 31, 2010, reflect changes in the measurement of this embedded derivative in the original contract.

The measurement of the swap interest payment for the years ended March 31, 2011 and 2010, respectively, reflects the realized loss on our previously outstanding interest rate swaps.

**Income tax (benefit) expense**

For the three months ended March 31, 2012, we recorded a current income tax expense of $0.8 million and a deferred income tax benefit of $6.1 million, for a total income tax benefit of $5.3 million. This compares to a combined income tax benefit of $10.3 million for the same period last year. For the year ended March 31, 2012, we recorded a current income tax benefit of $0.7 million and a deferred income tax benefit of $6.5 million for a total income tax benefit of $7.2 million. This compares to a combined income tax benefit of $6.4 million for the same period last year and a combined income tax expense of $13.7 for the year ended March 31, 2010.

For the three months and year ended March 31, 2012, income tax expense as a percentage of income before income taxes differed from the statutory rate of 26.25%. This difference is primarily due to the impact of changes in enacted tax rates, CRA audit adjustments from 2007 and 2008, which flow through the current and deferred income tax accounts, and an increase in the permanent differences in stock-based compensation resulting from a partial restructuring of the stock option plan. For the three months ended March 31, 2011, income tax expense as a percentage of income before income taxes differed from the statutory rate of 27.75% primarily due to the changes in the timing of the reversal of temporary differences. For the year ended March 31, 2011, income tax expense as a percentage of income before income taxes differed from the statutory rate of 27.75%, largely due to the same factors affecting the year ended March 31, 2012. For the year ended March 31, 2010, income tax as a percentage of income before income taxes differed from the statutory rate of 28.91% primarily due to the impact of income tax adjustments and reassessments, non-deductible items and changes in the timing of reversal of temporary differences.

**Backlog**

Backlog is a measure of the amount of secured work we have outstanding and, as such, is an indicator of a base level of future revenue potential. Backlog is not a GAAP measure. As a result, the definition and determination of backlog will vary among different organizations ascribing a value to backlog. Although backlog reflects business that we consider to be firm, cancellations or reductions may occur and may reduce backlog and future income.

We define backlog as work that has a high certainty of being performed as evidenced by the existence of a signed contract, work order or change order specifying job scope, value and timing. We have also set a policy that our definition of backlog will be limited to contracts or work orders with values exceeding $500,000 and work that will be performed in the next five years, even if the related contracts extend beyond five years.

Our measure of backlog does not define what we expect our future workload to be. We work with our customers using cost-plus, time-and-materials, unit-price and lump-sum contracts. This mix of contract types varies year-by-year. Our definition of backlog results in the exclusion of a range of services to be provided under cost-plus and time-and-material contracts performed under master services agreements where scope is not clearly defined. For the three months and year ended March 31, 2012, the total amount of revenue earned from time-and-material contracts performed under our master services agreements, which are not in backlog, was approximately $38.8 million and $249.2 million respectively.

Our estimated backlog by segment and contract type as at March 31, 2012, December 31, 2011 and March 31, 2011 was:

| (dollars in thousands) | March 31, 2012 | December 31, 2011 | March 31, 2011 | March 31, 2010 |
|---|---|---|---|---|
| **By Segment** | | | | |

| | | | | |
|---|---|---|---|---|
| Heavy Construction & Mining | $654,284 | $768,664 | $568,717 | $800,751 |
| Piling | 73,997 | 43,141 | 12,558 | 16,423 |
| Pipeline | 5,297 | 26,758 | 1,427 | 6,861 |
| **Total** | $733,578 | $838,563 | $582,702 | $824,035 |
| **By Contract Type** | | | | |
| Unit-Price | $291,192 | $801,056 | $567,062 | $797,694 |
| Lump-Sum | 11,396 | 23,855 | 11,861 | 18,429 |
| Time-and-Material, Cost-Plus | 430,990 | 13,652 | 3,779 | 7,912 |
| **Total** | $733,578 | $838,563 | $582,702 | $824,035 |

The Canadian Natural contract represented approximately $417.8 million of the March 31, 2012 backlog. The backlog amount for this customer represents our estimates of future revenues taking into consideration the March 27, 2012 contract amendment that defined new target price terms, minimum yearly overburden removal volumes and the reduction in future revenues because of the contract-related asset sales to Canadian Natural. This compares to $484.7 million in our interim MD&A for the three and nine months ended December 31, 2011, which estimated backlog based on estimated pricing defined in the terms of the memorandum of understanding, signed with this customer on December 22, 2011. The $539.4 million and $781.7 million backlog estimates for this customer, in our annual MD&A for the years ended March 31, 2011 and 2010, respectively, assumed original contract volumes and forecasted margins.

The ability to complete overburden removal backlog volumes under the fixed term Canadian Natural contract is dependent on contract fleet capacity and access to the Horizon mine site. Thus, any suspension of work on the Canadian Natural site, such as that which occurred as a result of wildfires and a production facility fire in fiscal 2012, will result in a reduction of the backlog volumes that we can complete by the end of the contract term.

We expect that approximately $424.7 million of total backlog will likely be performed and realized in the 12 months ending March 31, 2013, together with a significant volume of work available but not included in the backlog calculation.¿

**Claims and Change Orders**

Due to the complexity of the projects we undertake, changes often occur after work has commenced. These changes include but are not limited to:

- changes in client requirements, specifications and design;
- changes in materials and work schedules; and
- changes in ground and weather conditions.

Contract change management processes require that we prepare and submit change orders to the client requesting approval of scope and/or price adjustments to the contract. Accounting guidelines require that we consider changes in cost estimates that have occurred up to the release of the financial statements and reflect the impact of these changes in the financial statements. Conversely, potential revenue associated with increases in cost estimates is not included in financial statements until an agreement is reached with a client or specific criteria for the recognition of revenue from claims and unapproved or un-priced change orders are met. This can, and often does, lead to costs being recognized in one period and revenue being recognized in subsequent periods.

Occasionally, disagreements arise regarding changes, their nature, measurement, timing and other characteristics that impact costs and revenue under the contract. If a change becomes a point of dispute between our customer and us, we then consider it to be a claim. Historical claim recoveries should not be considered indicative of future claim recoveries.

For the three months and year ended March 31, 2012, the Heavy Construction and Mining segment had approximately $1.4 million and $11.2 million respectively in claims revenue recognized to the extent of costs incurred, the Piling segment had $0.2 million and $2.6 million respectively in claims revenue recognized to the extent of costs incurred and the Pipeline segment had $6.4 million and $21.4 million respectively in claims revenue recognized to the extent of costs incurred.

As at March 31, 2012, we had $23.4 million of unresolved claims and change orders recorded on our balance sheet. These consisted of $1.9 million, $0.3 million and $21.2 million, respectively, for the Heavy Construction and Mining, Piling and Pipeline segments. This compares to $2.5 million of unresolved claims and change-orders recorded on our balance sheet for the year ended March 31, 2011, consisting of $0.6 million, $0.7 million and $1.2 million, respectively, for the Heavy Construction and Mining, Piling and Pipeline segments. We are actively working with our customers to expedite the execution of unsigned change orders and to resolve our claims.

**Summary of Consolidated Quarterly Results**

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

- the timing and size of capital projects undertaken by our customers on large oil sands projects;

seasonal weather and ground conditions;

the timing of equipment maintenance and repairs;

claims and change-orders; and

the accounting for unrealized non-cash gains and losses related to foreign exchange and derivative financial instruments.

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

| (dollars in millions, except per share amounts) | March 31, 2012 | Dec 31, 2011 | Sep 30, 2011 | Jun 30, 2011 | March 31, 2011 | Dec 31, 2010 | Sep 30, 2010 | Jun 30, 2010 |
|---|---|---|---|---|---|---|---|---|
| | | | | Fiscal 2012 | | | | Fiscal 2011 |
| **Revenue** | $282.5 | $284.6 | $245.4 | $194.0 | $174.5 | $265.1 | $234.9 | $183.6 |
| Gross profit (loss) | 0.9 | 20.0 | 33.4 | 6.6 | (17.4) | 30.8 | 29.1 | 15.6 |
| Operating (loss) income | (15.8) | 2.8 | 18.3 | (5.7) | (35.5) | 11.3 | 12.3 | 1.1 |
| **Net (loss) income** | (16.9) | (1.9) | 6.6 | (9.0) | (30.5) | 3.7 | 2.4 | (10.3) |
| Net (loss) income per share basic | $(0.47) | $(0.05) | $0.18 | $(0.25) | $(0.84) | $0.10 | $0.07 | $(0.29) |
| Net (loss) income per share diluted | $(0.47) | $(0.05) | $0.18 | $(0.25) | $(0.84) | $0.10 | $0.06 | $(0.29) |

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

¿ This paragraph contains forward-looking information. Please refer to Forward-Looking Information, Assumptions and Risk Factors for a discussion of the risks and uncertainties related to such information.

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We generally experience a decline in revenues during the first three months of each fiscal year due to seasonality, as weather conditions make performance in our 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 rendered temporarily incapable of supporting the weight of heavy equipment. The duration of this period, which can vary considerably from year to year, is referred to as spring breakup and has a direct impact on our activity levels. Revenues during the three months ended March 31 of each fiscal year are traditionally highest as ground conditions are most favourable in our operating regions. It should be noted that weather conditions during this period in each of the past two fiscal years have been unusual, causing results to deviate from this pattern. Overall, full-year results are not likely to be a direct multiple or combination of any one quarter or quarters. In addition to revenue variability, gross margins can be negatively impacted in less active periods because we are likely to incur higher maintenance and repair costs due to our equipment being available for servicing.

The timing of large projects can also influence quarterly revenues. For example, Pipeline segment revenues were near zero for the three months ended June 30, 2011 but reached $66.4 million for the three months ended December 31, 2011.

The Heavy Construction and Mining segment experienced significant swings in overburden removal volumes on Canadian Natural s Horizon site.

- In the six months ended September 30, 2010, overburden removal volumes were ramping up from the temporary shutdown of the Horizon project while Canadian Natural prepared for operations start-up;
- In the six months ended March 31, 2011, overburden removal volumes returned to normal; and
- In the three months ended June 30, 2011 volumes were negatively affected by wildfires in the region and an unrelated production facility fire. Canadian Natural issued a work suspension notice during this period and we did not resume overburden removal activities until the start of the three months ended March 31, 2012.

In addition to the swings in volume for this customer, we recorded a revenue writedown on the Canadian Natural contract, which negatively affected results for the three months ended March 31, 2011. During contract negotiations with Canadian Natural, revenue on the Canadian Natural contract was only reported to the extent of costs incurred for the nine months ended December 31, 2011. Revenue reported for the three months ended March 31, 2012 reflected the pricing structure negotiated under the amended Canadian Natural contract.

Profitability also varies from quarter-to-quarter as a result of claims and change-orders. While claims and change-orders are a normal aspect of the contracting business, they can cause variability in profit margin due to delayed recognition of revenues. During fiscal 2011 and 2012, the Pipeline segment reported significant swings in profit and margins because of delays in executing change-orders with a customer related to scope and design changes on several large-diameter pipeline construction projects. Because the customer has not yet executed the change orders, the segment reported revenue only to the extent of the $21.2 million in costs incurred for these change events. Additionally, the Pipeline segment recognized a $3.0 million forecasted loss for on a single lump-sum project for the three months ended December 31, 2011 and a further $9.4 million in losses on its large-diameter pipeline construction projects for the three months ended March 31, 2012. For further explanation, see Claims and Change Orders .

Variations in quarterly results can also be caused by changes in our operating leverage. During periods of higher activity, we have experienced improvements in operating margin. This reflects the impact of relatively fixed costs, such as G&A, being spread over higher revenue levels. If activity decreases, these same fixed costs are spread over lower revenue levels. Both net income and income per share are also subject to financial leverage as provided by fixed interest expense.

**Summary of Consolidated Financial Position**

| (dollars in thousands) | Year Ended March 31, 2012 | 2011 | 2010 | Change 2012 vs 2011 | Change 2012 vs 2010 |
|---|---|---|---|---|---|
| Cash | $1,400 | $722 | $103,005 | $678 | $(101,605) |
| Current assets (excluding cash) | 323,723 | 250,642 | 209,995 | 73,081 | 113,728 |
| Current liabilities | (254,573) | (165,819) | (165,641) | (88,754) | (88,932) |
| **Net working capital** | $70,550 | $85,545 | $147,359 | $(14,995) | $(76,809) |
| Property, plant and equipment | 312,775 | 321,864 | 331,355 | (9,089) | (18,580) |
| Total assets | 749,993 | 682,957 | 706,920 | 67,036 | 43,073 |
| Capital Lease obligations (including current portion) | (10,701) | (8,693) | (13,393) | (2,008) | 2,692 |
| **Total long term financial liabilites** | (313,871) | (324,382) | (327,356) | 10,511 | 13,485 |

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

At March 31, 2012, net working capital (current assets less current liabilities) was $70.6 million, down $15.0 million from March 31, 2011 and down $76.8 million from March 31, 2010.

The cash balance at March 31, 2012 was $0.7 million higher than at March 31, 2011 and $101.6 million lower than at March 31, 2010. The significant reduction in our current cash position, compared to fiscal 2010, was driven by:

- The acquisition of Cyntech ($23.5 million cash outflow);
- Debt restructuring which included the redemption of the 8 3/4% senior notes and associated cross-currency and interest rate swaps, the issuance of Series 1 Debentures and associated financing costs (net $76.5 million cash outflow);
- Net increase in borrowing through the term facilities of $50.0 million, combined with scheduled repayments of $20.0 million (net $30.0 million cash inflow);
- Net increase in borrowings through the revolving facilities (net $20.3 million);
- Purchase of equipment and intangible assets ($106.5 million cash outflow);
- Repayment of capital lease obligations ($10.3 million cash outflow);
- Cash generated from operating activities ($62.8 million cash inflow) which included Canadian Natural contract receipts of:
  - $34.1 million for contract settlement
  - $4.3 million for outstanding change-order settlement
  - $3.0 million for mobilization costs

As at March 31, 2012, we had borrowings of $20.3 million against our Revolving Facility compared to $3.5 million and zero as at March 31, 2011 and 2010, respectively.

Current assets, excluding cash, increased $73.1 million between March 31, 2011 and March 31, 2012. The increase reflects an $85.6 million increase in trade receivables and holdbacks and a $4.1 million increase in inventory, partially offset by a decrease in unbilled revenue of $16.1 million. Canadian Natural s exercise of its right to purchase contract-related assets during the year ended March 31, 2012 contributed $66.1 million to the increase in trade accounts receivables and holdbacks with the majority of the proceeds received in April 2012. The same transaction resulted in the decrease in unbilled revenue of $16.5 million and the decrease in inventory of $8.5 million. Current assets, excluding cash, increased $113.7 million between March 31, 2010 and March 31, 2012, reflecting a $102.2 million increase in trade receivables and holdbacks, a $2.2 million increase in unbilled revenue and an $8.8 million increase in inventory. The increase in trade receivables reflects the Canadian Natural equipment buyout while the increased inventory reflects the acquisition of Cyntech and an increase in tire inventory.

Current liabilities increased by $88.8 million between March 31, 2011 and March 31, 2012, reflecting an $85.1 million increase in accounts payable, a $5.5 million increase in billings in excess of costs, offset by a $6.1 million decrease in the deferred tax liabilities. Equipment purchases of $3.8 million, which are scheduled to be paid after March 31, 2012, are included in accounts payable as of March 31, 2012. The current year accounts payable increase reflects an increase in fourth quarter activity and the timing of vendor payments. Contributing to the increase in accounts payable during the current year is the $12.9 million planned operating lease buyouts associated with the Canadian Natural buyout. Current liabilities increased by $88.9 million between March 31, 2010 and March 31, 2012, reflecting a $104.3 million increase in accounts payable due to increased current fourth quarter volumes, timing of vendor payments and the Canadian Natural buyout. This was partly offset by a $18.8 million decrease in the current portion of embedded derivatives in financial instruments compared to the year ended March 31, 2010, as a result of the redemption of cross-currency and interest rate swaps related to our 8 3/4% senior notes.

Property, plant and equipment net book value decreased $9.1 million and $18.6 million between March 31, 2012 and the years ended March 31, 2011 and 2010, respectively. This reflects the $60.0 million of capitalized maintenance and equipment purchases during the current-year period, offset by the $27.1 million sale of contract-related assets to Canadian Natural, depreciation of $40.2 million and net book value of disposals worth $1.9 million in the current-year period.

Total long-term financial liabilities decreased by $10.5 million and $13.5 million between the March 31, 2012 and March 31, 2011 and 2010, respectively, largely due to a decrease in the long-term portion of accrued over-hour liabilities under operating lease agreements. The make-up of our long-term financial liabilities was significantly changed during the fiscal year ended March 31, 2011, due largely to our debt refinancing which is described in more detail in Capital Resources Long-term debt restructuring .

**Summary of Consolidated Equipment Additions**

We acquire our equipment in three ways: capital expenditures, capital leases and operating leases. Capital expenditures require the outflow of cash for the full value of the equipment at the time of purchase while capital leases and operating leases are varying ways of financing those capital expenditures.

We define our equipment requirements as either:

- sustaining additions those that are needed to keep our existing fleet of equipment at its optimal useful life through capital maintenance or replacement; or
- growth additions those that are needed to perform larger or a greater number of projects.

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A summary of tangible and intangible asset additions by nature and by period is shown in the table below:

| | Three Months Ended March 31, | | | Year Ended March 31, | | | | |
|---|---|---|---|---|---|---|---|---|
| (dollars in thousands) | 2012 | 2011 | Change | 2012 | 2011 | 2010 | Change 2012 vs 2011 | Change 2012 vs 2010 |
| **PP&E Capital Expenditures** | | | | | | | | |
| Sustaining | $13,663 | $1,444 | $12,219 | $34,617 | $16,853 | $14,536 | $17,764 | $20,081 |
| Growth | 6,613 | 2,038 | 4,575 | 18,862 | 17,031 | 42,346 | 1,831 | (23,484) |
| Total | 20,276 | 3,482 | 16,794 | 53,479 | 33,884 | 56,882 | 19,595 | (3,403) |
| **Capital Leases** | | | | | | | | |
| Sustaining | 4,320 | | 4,320 | 4,361 | | 867 | 4,361 | 3,494 |
| Growth | 2,467 | 336 | 2,131 | 2,853 | 427 | 656 | 2,426 | 2,197 |
| Total | 6,787 | 336 | 6,451 | 7,214 | 427 | 1,523 | 6,787 | 5,691 |
| **PP&E Operating lease additions** | | | | | | | | |
| Sustaining | | 26,739 | | | | | | |