North American Energy Partners Inc.
Form 6-K
November 03, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16

under the Securities Exchange Act of 1934

For the month of November 2009

Commission File Number 001-33161

NORTH AMERICAN ENERGY PARTNERS INC.

Zone 3 Acheson Industrial Area

2-53016 Highway 60

Acheson, Alberta

Canada T7X 5A7

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ______ Form 40-F __X__

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ______

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ______

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Documents Included as Part of this Report

1. Interim consolidated financial statements of North American Energy Partners Inc. for the three and six months ended September 30, 2009.

2. Management s Discussion and Analysis for the three and six months ended September 30, 2009.

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SIGNATURES

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

NORTH AMERICAN ENERGY PARTNERS INC.

By: /s/ David Blackley
Name: David Blackley
Title: Chief Financial Officer

Date: November 3, 2009

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NORTH AMERICAN ENERGY PARTNERS INC.

Interim Consolidated Financial Statements

For the three and six months ended September 30, 2009

(Expressed in thousands of Canadian Dollars)

(Unaudited)

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Interim Consolidated Balance Sheets

(In thousands of Canadian Dollars)

	September 30, 2009 (Unaudited)	March 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 97,716	$ 98,880
Accounts receivable	87,893	78,323
Unbilled revenue	67,615	55,907
Inventories	10,079	11,814
Prepaid expenses and deposits	7,453	4,781
Future income taxes	7,307	7,033
	278,063	256,738
Future income taxes	11,196	12,432
Assets held for sale	2,857	2,760
Prepaid expenses and deposits	2,100	3,504
Property, plant and equipment (note 6)	354,419	329,705
Goodwill (note 5)	25,361	23,872
Intangible assets	2,319	1,041
	$ 676,315	$ 630,052
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 70,167	$ 56,204
Accrued liabilities	41,118	52,135
Billings in excess of costs incurred and estimated earnings on uncompleted contracts	4,197	2,155
Current portion of capital lease obligations	5,295	5,409
Current portion of derivative financial instruments (note 11)	5,017	11,439
Current portion of long term debt (note 7(a))	7,591	
Future income taxes	8,326	7,749
	141,711	135,091
Deferred lease inducements (note 8)	970	836
Capital lease obligations	9,898	12,075
Long term debt (note 7(a))	25,409	
Senior notes (note 7(b))	210,396	252,899
Director deferred stock unit liability (note 14(c))	1,363	546
Derivative financial instruments (note 11)	88,707	50,562
Asset retirement obligation	343	386
Future income taxes	32,956	30,220
	511,753	482,615
Shareholders equity:		
Common shares (authorized unlimited number of voting and non-voting common shares; issued and outstanding September 30, 2009 36,038,476 voting common shares (March 31, 2009 36,038,476 voting common shares) (note 9(a))	299,973	299,973
Contributed surplus (note 9(b))	6,817	5,275
Deficit	(142,228)	(157,811)

	164,562	147,437
	$ 676,315	$ 630,052

Contingencies (note 15)

See accompanying notes to unaudited interim consolidated financial statements.

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Interim Consolidated Statements of Operations, Comprehensive Income (Loss) and Deficit

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

(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2009	2008	2009	2008
Revenue	**$ 171,110**	**$ 280,283**	**$ 318,213**	**$ 539,270**
Project costs	65,959	154,961	120,512	303,592
Equipment costs	44,359	60,787	90,403	106,597
Equipment operating lease expense	15,684	9,586	28,033	18,384
Depreciation	11,987	10,668	21,334	18,826
Gross profit	**33,121**	**44,281**	**57,931**	**91,871**
General and administrative costs	14,015	19,345	29,081	38,561
Loss on disposal of property, plant and equipment	260	1,612	301	2,756
Loss (gain) on disposal of assets held for sale	41	2	(276)	24
Amortization of intangible assets	236	276	484	554
Operating income before the undernoted	**18,569**	**23,046**	**28,341**	**49,976**
Interest expense, net (note 10)	8,980	6,440	17,617	12,889
Foreign exchange (gain) loss	(17,862)	8,236	(37,077)	6,595
Realized and unrealized loss on derivative financial instruments (note 11)	26,271	7,618	27,317	5,353
Other (income) expenses	(200)	(3)	333	(21)
Income before income taxes	**1,380**	**755**	**20,151**	**25,160**
Income taxes (note 12(c)):				
Current income taxes	1,264	62	1,264	62
Future income taxes (recovery)	(693)	1,915	3,304	7,224
Net income (loss) and comprehensive income (loss) for the period	**809**	**(1,222)**	**15,583**	**17,874**
(Deficit) Retained earnings, beginning of period as previously reported	(143,037)	800	(157,811)	(19,287)
Change in accounting policy related to inventories				991
Deficit, end of period	**$ (142,228)**	**$ (422)**	**$ (142,228)**	**$ (422)**
Net income (loss) per share basic (note 9(c))	**$ 0.02**	**$ (0.03)**	**$ 0.43**	**$ 0.50**
Net income (loss) per share diluted (note 9(c))	**$ 0.02**	**$ (0.03)**	**$ 0.43**	**$ 0.48**

See accompanying notes to unaudited interim consolidated financial statements.

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Interim Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian Dollars)

(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Cash provided by (used in):				
Operating activities:				
Net income (loss) for the period	$ 809	$ (1,222)	$ 15,583	$ 17,874
Items not affecting cash:				
Depreciation	11,987	10,668	21,334	18,826
Amortization of intangible assets	236	276	484	554
Amortization of deferred lease inducements	(35)	(27)	(61)	(53)
Loss on disposal of property, plant and equipment	260	1,612	301	2,756
Loss (gain) on disposal of assets held for sale	41	2	(276)	24
Unrealized foreign exchange (gain) loss on senior notes	(17,877)	8,147	(37,196)	6,316
Amortization of bond issue costs, premiums and financing costs (note 10)	212	184	433	358
Unrealized change in the fair value of derivative financial instruments	25,604	6,950	25,983	4,017
Stock-based compensation expense (note 14)	620	670	2,425	1,306
Accretion expense asset retirement obligation	(21)	57	(12)	106
Future income taxes (recovery)	(693)	1,915	3,304	7,224
Net changes in non-cash working capital (note 12(b))	2,042	(38,696)	(17,055)	(35,431)
	23,185	**(9,464)**	**15,247**	**23,877**
Investing activities:				
Acquisition (note 5)	(4,880)		(4,880)	
Purchase of property, plant and equipment	(23,555)	(16,177)	(43,265)	(75,526)
Additions to assets held for sale	(933)		(933)	
Proceeds on disposal of property, plant and equipment	558	3,296	696	4,648
Proceeds on disposal of assets held for sale	152	2	1,112	194
Net changes in non-cash working capital (note 12(b))	3,919	(38,214)	2,647	5,259
	(24,739)	**(51,093)**	**(44,623)**	**(65,425)**
Financing activities:				
Cheques issued in excess of cash deposits		665		665
Increase in long term debt (note 7)	21,200	10,000	33,000	10,000
Repayment of capital lease obligations	(1,477)	(1,465)	(2,947)	(2,690)
Cash settlement of stock options (note 9(b))	(66)		(66)	
Repayment of long term debt (note 5)	(652)		(652)	
Stock options exercised		25		702
Financing costs (note 7(a))	(8)		(1,123)	
	18,997	**9,225**	**28,212**	**8,677**
Increase, (decrease) in cash and cash equivalents	17,443	(51,332)	(1,164)	(32,871)
Cash and cash equivalents, beginning of period	80,273	51,332	98,880	32,871
Cash and cash equivalents, end of period	**$ 97,716**	**$**	**$ 97,716**	**$**

Supplemental cash flow information (note 12(a))

See accompanying notes to unaudited interim consolidated financial statements

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Notes to Interim Consolidated Financial Statements

For the three and six months ended September 30, 2009

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

(Unaudited)

1. Nature of Operations

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

The Company undertakes several types of projects including heavy construction, commercial and industrial site development and pipeline and piling installations in Canada.

2. Basis of Presentation

These unaudited interim consolidated financial statements (the financial statements) are prepared in accordance with Canadian generally accepted accounting principles (GAAP) for interim financial statements and do not include all of the disclosures normally contained in the Company s annual consolidated financial statements. Since the determination of many assets, liabilities, revenues and expenses is dependent on future events, the preparation of these financial statements requires the use of estimates and assumptions. In the opinion of management, these financial statements have been prepared within reasonable limits of materiality. Except as disclosed in note 3, these financial statements follow the same significant accounting policies as described and used in the most recent annual consolidated financial statements of the Company for the year ended March 31, 2009 and should be read in conjunction with those consolidated financial statements.

These consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, NACGI and NACG Finance LLC, the Company s proportionate share of the assets, liabilities, revenues, expenses and cash flows of its joint venture, Noramac Ventures Inc. and the following 100% owned subsidiaries of NACGI:

North American Caisson Ltd.

North American Construction Ltd.

North American Engineering Ltd.

North American Enterprises Ltd.

North American Industries Inc.

North American Mining Inc.

North American Maintenance Ltd.

North American Pipeline Inc.

North American Road Inc.

North American Services Inc.

North American Site Development Ltd.

North American Site Services Inc.

North American Pile Driving Inc.

DF Investments Ltd.

Drillco Foundation Co. Ltd.

3. Recently adopted Canadian accounting pronouncements

i) Goodwill and intangible assets

Effective April 1, 2009, the Company adopted, on a retrospective basis, CICA Handbook Section 3064, Goodwill and Intangible Assets , which replaces Section 3062, Goodwill and Other Intangible Assets , and Section 3450, Research and Development Costs and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition

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Notes to Interim Consolidated Financial Statements

For the three and six months ended September 30, 2009

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

(Unaudited)

of intangible assets, including internally generated intangible assets, are equivalent to the corresponding provisions of International Accounting Standard IAS 38, Intangible Assets . The adoption of this standard did not have a material impact on the Company s interim consolidated financial statements.

ii) Business combinations

Effective July 1, 2009, the Company early adopted CICA Handbook Section 1582, Business Combinations , which replaces the existing standard. This section establishes standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition related costs will be expensed as incurred, that restructuring charges will be expensed in periods after the acquisition date and that non-controlling interests should be measured at fair value at the date of acquisition. This standard is to be applied prospectively to business combinations with acquisition dates on or after July 1, 2009. This new standard was applied to the acquisition of DF Investments Ltd. and its subsidiary Drillco Foundation Co. Ltd. (see note 5).

iii) Consolidated financial statements

Effective July 1, 2009, the Company early adopted CICA Handbook Section 1601, Consolidated Financial Statements , which replaces Section 1600 Consolidated Financial Statements . This Section carries forward existing Canadian guidance for preparing consolidated financial statements other than guidance for non-controlling interests. The adoption of this standard did not have a material impact on the Company s interim consolidated financial statements.

iv) Non-controlling interests

Effective July 1, 2009, the Company early adopted CICA Handbook Section 1602, Non-Controlling Interests , which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. The adoption of this standard did not have a material impact on the Company s interim consolidated financial statements.

v) Equity

In August 2009, the CICA amended presentation requirements of Handbook Section 3251, Equity as a result of issuing Section 1602, Non-Controlling Interests . The amendments apply only to entities that have adopted Section 1602. The Company early adopted this standard effective July 1, 2009. The adoption of this standard did not have a material impact on the Company s interim consolidated financial statements.

vi) Financial instruments recognition and measurement

Effective July 1, 2009, the Company adopted CICA amendments to Handbook Section 3855, Financial Instruments Recognition and Measurement which add guidance concerning the assessment of embedded derivatives upon reclassification of a financial asset out of the held-for-trading category. These amendments apply to reclassifications made on or after July 1, 2009. The adoption of these amendments did not have a material impact on the Company s interim consolidated financial statements.

Notes to Interim Consolidated Financial Statements

For the three and six months ended September 30, 2009

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

(Unaudited)

4. Recent Canadian accounting pronouncements not yet adopted

i) Accounting changes

In June 2009, the CICA amended Handbook Section 1506, Accounting Changes , to exclude from its scope changes in accounting policies upon the complete replacement of an entity s primary basis of accounting. The amendment applies to interim and annual financial statements relating to fiscal years beginning on or after July 1, 2009. The Company is currently evaluating the impact of the amendments to the standard.

ii) Financial instruments recognition and measurement

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

iii) Financial instruments disclosure

In June 2009, the CICA amended Handbook Section 3862, Financial Instruments Disclosures , to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements. The amendments apply to annual financial statements relating to fiscal years ending after September 30, 2009. The Company is currently evaluating the impact of the amendments to the standard.

iv) Comprehensive revaluation of assets and liabilities

In August 2009, the CICA amended Handbook Section 1625 Comprehensive Revaluation of Assets and Liabilities as a result of issuing Section 1582, Business Combinations , Section 1601, Consolidated Financial Statements , and Section 1602, Non-Controlling Interests in January 2009. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year, provided that Section 1582 is also adopted. The Company is currently evaluating the impact of the amendments to the standard.

v) International Financial Reporting Standards (IFRS)

In 2006, the Canadian Accounting Standards Board (AcSB) published a new strategic plan that significantly affects financial reporting requirements for Canadian public companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period.

In February 2008, the AcSB confirmed that IFRS will be mandatory in Canada for profit-oriented publicly accountable entities for fiscal periods beginning on or after January 1, 2011, unless, as permitted by Canadian securities regulations, the Company was to adopt U.S. GAAP on or before this date. Should the Company decide to adopt IFRS, its first annual IFRS financial statements would be for the year ending March 31, 2012 and would include the comparative period of the year ending March 31, 2011. Starting for the three months ending June 30, 2011, the Company would provide unaudited consolidated financial information in accordance with IFRS including comparative figures for the three month period ending June 30, 2010.

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(Unaudited)

The Company has completed a gap analysis of the accounting and reporting differences under IFRS, Canadian GAAP and U.S. GAAP, however, management has not yet finalized its determination of the impact of these differences on the consolidated financial statements. This analysis will, in part, determine whether the Company adopts IFRS or U.S. GAAP once Canadian GAAP ceases to exist. The Company is also closely monitoring standard-setting activity and regulatory developments in Canada, the United States and internationally that may affect the timing of its adoption of either IFRS or U.S. GAAP in future periods.

5. Acquisition

On August 1, 2009, the Company acquired all of the issued and outstanding shares of DF Investments Ltd. and its subsidiary Drillco Foundation Co. Ltd., piling companies based in Milton, Ontario, for preliminary consideration of $6,069 of which $4,880 has been paid. This acquisition gives the Company access to piling markets and customers in the region. The transaction has been accounted for using the acquisition method with the results of operations included in the financial statements from the date of acquisition. The goodwill acquired is not deductible for tax purposes. The preliminary purchase price allocation is as follows:

Net assets acquired at assigned values:	
Working capital	$ 2,439
Property, plant and equipment	2,873
Land	281
Intangible assets	609
Goodwill (assigned to the Piling segment)	1,489
Future income tax liability	(970)
Long term debt	(652)
	$ 6,069

The allocation of the purchase price to the fair value of the assets acquired and liabilities assumed is preliminary and may be subject to adjustments.

6. Property, plant and equipment

September 30, 2009	Cost	Accumulated Depreciation	Net Book Value
Heavy equipment	$ 352,707	$ 88,017	$ 264,690
Major component parts in use	28,601	5,166	23,435
Other equipment	23,785	9,257	14,528
Licensed motor vehicles	14,421	8,810	5,611
Office and computer equipment	17,257	7,042	10,215
Buildings	20,611	5,606	15,005
Land	281		281
Leasehold improvements	9,487	2,289	7,198

Assets under capital lease	25,148	11,692	13,456
	$ 492,298	$ 137,879	$ 354,419

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Notes to Interim Consolidated Financial Statements

For the three and six months ended September 30, 2009

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

(Unaudited)

March 31, 2009	Cost	Accumulated Depreciation	Net Book Value
Heavy equipment	$ 319,706	$ 76,130	$ 243,576
Major component parts in use	25,187	2,535	22,652
Other equipment	22,056	8,268	13,788
Licensed motor vehicles	12,760	7,445	5,315
Office and computer equipment	14,614	5,644	8,970
Buildings	19,822	4,956	14,866
Leasehold improvements	6,494	1,845	4,649
Assets under capital lease	27,953	12,064	15,889
	$ 448,592	$ 118,887	$ 329,705

During the three and six months ended September 30, 2009, additions to property, plant and equipment included $33 and $656 respectively, of assets that were acquired by means of capital leases (three and six months ended September 30, 2008 $3,952 and $5,116 respectively). Depreciation of equipment under capital lease of $978 and $2,137 for the three and six months ended September 30, 2009, respectively was included in depreciation expense (three and six months ended September 30, 2008 $1,585 and $2,233 respectively).

7. Debt

a) Long term debt

On June 24, 2009, the Company entered into an amended and restated credit agreement which matures on June 8, 2011 to provide for borrowings of up to $125.0 million under which revolving loans, term loans and letters of credit may be issued. This facility includes a $75.0 million Revolving Facility and a $50.0 million Term Facility. The Term Facility commitments were available until August 31, 2009 and aggregate borrowings under this facility had to exceed $25.0 million. Any undrawn amount under the Term Facility, up to a maximum of $15.0 million, could be reallocated to the Revolving Facility. On August 31, 2009, the maximum undrawn portion of the Term Facility totaling $15.0 million was reallocated to the Revolving Facility resulting in Revolving Facility commitments of $90.0 million.

As of September 30, 2009, the Company had issued $20.3 million (March 31, 2009 $20.8 million) in letters of credit under the Revolving Facility to support performance guarantees associated with customer contracts. The total credit facility commitments are $123.0 million at September 30, 2009 and include the $90.0 million Revolving Facility and the outstanding borrowings of $33.0 million, net of a $1.7 million repayment in the quarter, (March 31, 2009 $nil) under the Term Facility. The funds available under the Revolving Facility are reduced by any outstanding letters of credit. The Company s unused borrowing availability under the Revolving Facility was $69.7 million at September 30, 2009.

Borrowings under the Revolving Facility may be repaid and borrowed from time to time at the option of the Company. The Term Facility is fully utilized and requires quarterly principal repayments. At September 30, 2009, there were no borrowings under the Revolving Facility.

Beginning September 30, 2009, and at the end of each fiscal quarter thereafter, the Company must make quarterly payments of principal in an amount equal to 4.375% of the outstanding principal drawn under the Term

Notes to Interim Consolidated Financial Statements

For the three and six months ended September 30, 2009

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

(Unaudited)

Facility at August 31, 2009 (equal to $1,518). The credit facility bears interest at Canadian prime rate, U.S. Dollar Base Rate, Canadian bankers acceptance rate or London interbank offered rate (LIBOR) (all such terms as used or defined in the credit facility), plus applicable margins. In each case, the applicable pricing margin depends on the Company s credit rating.

The credit facility is secured by a first priority lien on substantially all of the Company s existing and after-acquired property and contains certain restrictive covenants including, but not limited to, incurring additional debt, transferring or selling assets, making investments including acquisitions or to pay dividends or redeem shares of capital stock. The Company is also required to meet certain financial covenants under the credit agreement and was in compliance with these covenants at September 30, 2009.

During the three and six months ended September 30, 2009, financing fees of $8 and $1,123 respectively were incurred in connection with the modifications made to the amended and restated credit agreement. These fees have been recorded as an intangible asset and are being amortized on a straight-line basis over the remaining term of the credit facility.

b) Senior notes

	September 30, 2009	March 31, 2009
8 3/ 4% senior unsecured notes due 2011 ($US)	$ 200,000	$ 200,000
Unrealized foreign exchange	14,440	52,040
Unamortized financing costs and premiums, net	(2,020)	(2,857)
Fair value of embedded prepayment and early redemption options (note 11)	(2,024)	3,716
	$ 210,396	$ 252,899

The 8 3/4% senior notes were issued on November 26, 2003 in the amount of U.S. $200 million (Canadian $263 million). These notes mature on December 1, 2011 with interest payable semi-annually on June 1 and December 1 of each year. The 8 3/4% senior notes are unsecured senior obligations and rank equally with all other existing and future unsecured senior debt and senior to any subordinated debt that may be issued by the Company or any of its subsidiaries. The notes are effectively subordinated to all secured debt to the extent of the outstanding amount of such debt.

The 8 3/4% senior notes are redeemable at the option of the Company, in whole or in part, at any time on or after: December 1, 2007 at 104.4% of the principal amount; December 1, 2008 at 102.2% of the principal amount; December 1, 2009 at 100.0% of the principal amount; plus, in each case, interest accrued to the redemption date.

If a change of control occurs, the Company will be required to offer to purchase all or a portion of each holder s 8 3/4% senior notes, at a purchase price in cash equal to 101.0% of the principal amount of the notes offered for repurchase plus accrued interest to the date of purchase. As at September 30, 2009, the Company s effective weighted average interest rate on its 8 3/4% senior notes, including the effect of financing costs and premiums, net, was approximately 9.42%.

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Notes to Interim Consolidated Financial Statements

For the three and six months ended September 30, 2009

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

(Unaudited)

8. Deferred lease inducements

Lease inducements applicable to lease contracts are deferred and amortized as a reduction of general and administrative costs on a straight-line basis over the lease term, which includes the initial lease term and renewal periods only where renewal is determined to be reasonably assured. During the three and six months ended September 30, 2009, the Company recorded inducements from a lessor in the form of leasehold improvements to a new office facility of $195.

	September 30, 2009	March 31, 2009
Balance, beginning of period	$ 836	$ 941
Additions	195	
Amortization	(61)	(105)
Balance, end of period	$ 970	$ 836

9. Shares

a) Common shares

Authorized:

Unlimited number of common voting shares

Unlimited number of common non-voting shares Issued and outstanding:

	Number of Shares	Amount
Common voting shares		
Issued and outstanding at September 30, 2009 and March 31, 2009	36,038,476	$ 299,973

b) Contributed surplus

Balance, March 31, 2009	$ 5,275
Stock-based compensation (note 14(a))	1,330
Deferred performance share unit plan (note 14(b))	278
Cash settlement of stock options	(66)
Balance, September 30, 2009	$ 6,817

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Notes to Interim Consolidated Financial Statements

For the three and six months ended September 30, 2009

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

(Unaudited)

c) Net income (loss) per share

	Three Months Ended September 30,		Six Months Ended September 30,	
	2009	2008	2009	2008
Net income (loss) available to common shareholders	$ 809	$ (1,222)	$ 15,583	$ 17,874
Weighted average number of common shares	36,038,476	36,037,867	36,038,476	36,003,454
Basic net income (loss) per share	$ 0.02	$ (0.03)	$ 0.43	$ 0.50
Net income (loss) available to common shareholders	$ 809	$ (1,222)	$ 15,583	$ 17,874
Weighted average number of common shares	36,038,476	36,037,867	36,038,476	36,003,454
Dilutive effect of stock options	668,955		615,232	952,872
Weighted average number of diluted common shares	36,707,431	36,037,867	36,653,708	36,956,326
Diluted net income (loss) per share	$ 0.02	$ (0.03)	$ 0.43	$ 0.48

For the three months ended September 30, 2008, the effect of outstanding stock options on loss per share was anti-dilutive. As such, the effect of outstanding stock options used to calculate the diluted net loss per share has not been disclosed.

For the three and six months ended September 30, 2009, there were 922,126 and 859,783 options respectively, which were anti-dilutive and therefore were not considered in computing diluted earnings per share (three and six months ended September 30, 2008 709,016 and 709,432 options respectively).

d) Capital disclosures

The Company s overall strategy with respect to capital risk management remains unchanged from March 31, 2009.

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Notes to Interim Consolidated Financial Statements

For the three and six months ended September 30, 2009

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

(Unaudited)

10. Interest expense

	Three Months Ended September 30,		Six Months Ended September 30,	
	2009	2008	2009	2008
Interest expense on 8 $^3/4$% senior notes	$ 10,572	$ 5,834	$ 21,551	$ 11,669
Interest income on 8 $^3/4$% senior notes swaps[(i)]	(2,638)		(5,804)	
Interest on 8 $^3/4$% senior notes	7,934	5,834	15,747	11,669
Interest on capital lease obligations	270	264	561	545
Amortization of bond issue costs and premiums	212	184	433	358
Interest on credit facilities	197	90	492	90
Interest on long-term debt	8,613	6,372	17,233	12,662
Other interest	367	68	384	227
	$ 8,980	$ 6,440	$ 17,617	$ 12,889

(i) As a result of the U.S. Dollar interest rate swap cancelation, effective December 17, 2008, the Company now receives floating quarterly interest payments from its SWAP counterparties at a rate of 4.2% over three-month LIBOR. These floating interest payments occur every March 1, June 1, September 1, and December 1 until the notes mature on December 1, 2011.

11. Financial instruments and risk management

There have been no significant changes to the Company s risk management strategies since March 31, 2009.

Derivative financial instruments consist of the following:

September 30, 2009	Derivative Financial Instruments	Senior Notes
Cross-currency and interest rate swaps	$ 78,701	$
Embedded price escalation features in a long-term revenue construction contract	5,949	
Embedded price escalation features in certain long-term supplier contracts	9,074	
Embedded prepayment and early redemption options on senior notes		(2,024)
Total fair value of derivative financial instruments	93,724	(2,024)

Less: current portion	5,017	
	$ 88,707	$ (2,024)

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Notes to Interim Consolidated Financial Statements

For the three and six months ended September 30, 2009

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

(Unaudited)

March 31, 2009	Derivative Financial Instruments	Senior Notes
Cross-currency and interest rate swaps	$ 39,547	$
Embedded price escalation features in a long-term revenue construction contract	(324)	
Embedded price escalation features in certain long-term supplier contracts	22,778	
Embedded prepayment and early redemption options on senior notes		3,716
Total fair value of derivative financial instruments	62,001	3,716
Less: current portion	11,439	
	$ 50,562	$ 3,716

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2009	2008	2009	2008
Realized and unrealized loss (gain) on cross-currency and interest rate swaps	$ 26,292	$ (5,767)	$ 40,488	$ (6,220)
Unrealized loss (gain) on embedded price escalation features in a long-term revenue construction contract	2,986	(3,869)	6,273	(4,504)
Unrealized loss (gain) on embedded price escalation features in certain long-term supplier contracts	460	9,354	(13,704)	9,153
Unrealized (gain) loss on embedded prepayment and early redemption options on senior notes	(3,467)	7,900	(5,740)	6,924
	$ 26,271	$ 7,618	$ 27,317	$ 5,353

12. Other information

a) Supplemental cash flow information

	Three Months Ended September 30,		Six Months Ended September 30,	
	2009	2008	2009	2008
Cash paid during the period for:				
Interest	$ 5,573	$ 353	$ 25,241	$ 13,821
Income taxes	1,545		7,608	
Cash received during the period for:				
Interest	2,780	1	6,140	6

Income taxes		62		62
Non-cash transactions:				
Acquisition of property, plant and equipment by means of capital leases	33	3,952	656	5,116
Lease inducements	195		195	

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Notes to Interim Consolidated Financial Statements

For the three and six months ended September 30, 2009

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

(Unaudited)

b) Net change in non-cash working capital

	Three Months Ended September 30,		Six Months Ended September 30,	
	2009	2008	2009	2008
Operating activities:				
Accounts receivable	$ (13,319)	$ (12,735)	$ (5,166)	$ 25,704
Allowance for doubtful accounts	(416)	1,291	(493)	1,300
Unbilled revenue	(8,551)	(20,627)	(11,708)	(39,277)
Inventory	(2,303)	(2,502)	1,794	(4,206)
Prepaid expenses and deposits	1,466	207	(1,293)	913
Accounts payable	14,599	(14,553)	9,975	(22,591)
Accrued liabilities	8,438	8,958	(12,206)	(6,095)
Billings in excess of costs incurred and estimated earnings on uncompleted contracts	2,128	1,265	2,042	8,821
	$ 2,042	$ (38,696)	$ (17,055)	$ (35,431)
Investing activities:				
Accounts payable	$ 3,919	$ (38,214)	$ 2,647	$ 5,259

c) Income taxes

Income tax expense as a percentage of income before income taxes for the three and six months ended September 30, 2009 and the three and six months ended September 30, 2008 differs from the statutory rate of 28.91% and 29.38% respectively, primarily due to the impact of changes in enacted tax rates and the benefit from changes in the timing of the reversal of temporary differences.

13. Segmented information

a) General overview

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

Heavy Construction and Mining:
The Heavy Construction and Mining segment provides mining and site preparation services, including overburden removal and reclamation services, project management and underground utility construction, to a variety of customers throughout Canada.

Piling:

The Piling segment provides deep foundation construction and design build services to a variety of industrial and commercial customers throughout Western Canada and Ontario.

Pipeline:

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

Notes to Interim Consolidated Financial Statements

For the three and six months ended September 30, 2009

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

(Unaudited)

The accounting policies of the reportable operating segments are the same as those described in the significant accounting policies in note 3 of the annual consolidated financial statements of the Company for the year ended March 31, 2009. Certain business units of the Company have been aggregated into the Heavy Construction and Mining segment as they have similar economic characteristics. These business units are considered to have similar economic characteristics based on similarities in the nature of the services provided, the customer base and the similarities in the production process and the resources used to provide these services.

b) Results by business segment

Three Months Ended September 30, 2009	Heavy Construction and Mining	Piling	Pipeline	Total
Revenues from external customers	$ 154,463	$ 15,058	$ 1,589	$ 171,110
Depreciation of property, plant and equipment	9,372	845	25	10,242
Segment profits	21,636	1,950	(138)	23,448
Segment assets	416,730	95,451	8,074	520,255
Capital expenditures	19,382			19,382

Three Months Ended September 30, 2008	Heavy Construction and Mining	Piling	Pipeline	Total
Revenues from external customers	$ 176,073	$ 48,642	$ 55,568	$ 280,283
Depreciation of property, plant and equipment	7,512	874	338	8,724
Segment profits	26,525	11,045	7,950	45,520
Segment assets	542,437	142,593	74,968	759,998
Capital expenditures	13,776	1,325	421	15,522

Six Months Ended September 30, 2009	Heavy Construction and Mining	Piling	Pipeline	Total
Revenues from external customers	$ 286,873	$ 29,676	$ 1,664	$ 318,213
Depreciation of property, plant and equipment	16,266	1,407	247	17,920
Segment profits	45,272	4,634	229	50,135
Segment assets	416,730	95,451	8,074	520,255
Capital expenditures	36,054	2		36,056

Six Months Ended September 30, 2008	Heavy Construction and Mining	Piling	Pipeline	Total
Revenues from external customers	$ 365,479	$ 91,145	$ 82,646	$ 539,270
Depreciation of property, plant and equipment	12,735	1,694	564	14,993
Segment profits	47,928	19,706	16,875	84,509
Segment assets	542,437	142,593	74,968	759,998
Capital expenditures	61,454	7,155	5,070	73,679

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Notes to Interim Consolidated Financial Statements

For the three and six months ended September 30, 2009

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

(Unaudited)

c) Reconciliations

i) Income before income taxes

	Three Months Ended September 30,		Six Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Total profit for reportable segments	$ 23,448	$ 45,520	$ 50,135	$ 84,509
Less: unallocated corporate expenses:				
General and administrative costs	14,015	19,345	29,081	38,561
Loss on disposal of property, plant and equipment	260	1,612	301	2,756
Loss (gain) on disposal of assets held for sale	41	2	(276)	24
Amortization of intangible assets	236	276	484	554
Interest expense	8,980	6,440	17,617	12,889
Foreign exchange (gain) loss	(17,862)	8,236	(37,077)	6,595
Realized and unrealized loss on derivative financial instruments	26,271	7,618	27,317	5,353
Other (income) expenses	(200)	(3)	333	(21)
Unallocated equipment (costs) and recoveries[(i)]	(9,673)	1,239	(7,796)	(7,362)
Income before income taxes	$ 1,380	$ 755	$ 20,151	$ 25,160

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

ii) Total assets

	September 30, 2009	**March 31, 2009**
Total assets for reportable segments	$ 520,255	$ 478,597
Corporate assets:		
Cash	97,716	98,880
Property, plant and equipment	31,381	25,549
Future income taxes	18,503	19,465
Other	8,460	7,561
Total corporate assets	156,060	151,455
Total assets	$ 676,315	$ 630,052

The Company s goodwill of $25,361 is assigned to the Piling segment. All of the Company s assets are located in Canada.

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Notes to Interim Consolidated Financial Statements

For the three and six months ended September 30, 2009

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

(Unaudited)

iii) Depreciation of property, plant and equipment

	Three Months Ended September 30,		Six Months Ended September 30,	
	2009	2008	2009	2008
Total depreciation for reportable segments	$ 10,242	$ 8,724	$ 17,920	$ 14,993
Depreciation for corporate assets	1,745	1,944	3,414	3,833
Total depreciation	$ 11,987	$ 10,668	$ 21,334	$ 18,826

iv) Capital expenditures for property, plant and equipment

	Three Months Ended September 30,		Six Months Ended September 30,	
	2009	2008	2009	2008
Total capital expenditures for reportable segments	$ 19,382	$ 15,522	$ 36,056	$ 73,679
Capital expenditures for corporate assets	4,173	655	7,209	1,847
Total capital expenditures	$ 23,555	$ 16,177	$ 43,265	$ 75,526

d) Customers

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2009	2008	2009	2008
Customer A	55%	27%	55%	26%
Customer B	13%	10%	16%	13%
Customer C	12%	15%	11%	15%
Customer D	5%	13%	5%	17%
Customer E		20%		14%

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

14. Stock-based compensation plan

a) Share option plan

Under the 2004 Amended and Restated Share Option Plan, directors, officers, employees and certain service providers to the Company are eligible to receive stock options to acquire voting common shares in the Company. Each stock option provides the right to acquire one common share in the Company and expires ten years from the grant date or on termination of employment. Options may be exercised at a price determined at the time the

Notes to Interim Consolidated Financial Statements

For the three and six months ended September 30, 2009

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

(Unaudited)

option is awarded, and vest as follows: no options vest on the award date and twenty percent vest on each subsequent anniversary date.

	Three Months Ended September 30,			
	2009		2008	
	Number of options	Weighted average exercise price ($ per share)	Number of options	Weighted average exercise price ($ per share)
Outstanding, beginning of period	2,181,504	7.64	1,828,364	7.44
Granted			125,000	16.19
Exercised			(2,000)	(13.50)
Forfeited	(26,880)	(9.09)	(17,200)	(15.21)
Outstanding, end of period	2,154,624	7.62	1,934,164	7.93

	Six Months Ended September 30,			
	2009		2008	
	Number of options	Weighted average exercise price ($ per share)	Number of options	Weighted average exercise price ($ per share)
Outstanding, beginning of period	2,071,884	7.53	2,036,364	7.54
Granted	160,000	8.28	125,000	16.19
Exercised	(40,000)	5.00	(109,000)	(6.45)
Forfeited	(37,260)	(8.37)	(118,200)	(11.30)
Outstanding, end of period	2,154,624	7.62	1,934,164	7.93

At September 30, 2009, the weighted average remaining contractual life of outstanding options is 6.7 years (March 31, 2009 7.0 years). At September 30, 2009, the Company had 1,198,576 exercisable options (March 31, 2009 1,055,924) with a weighted average exercise price of $6.02 (March 31, 2009 $5.85).

For the six months ended September 30, 2009, the 40,000 options exercised were settled in cash.

The Company recorded $413 and $1,330 of compensation expense related to the stock options for the three and six months ended September 30, 2009, respectively (three and six months ended September 30, 2008 $679 and $933 respectively), with such amount being credited to contributed surplus. As at September 30, 2009, the total compensation costs related to non-vested awards not yet recognized was $3,295 and these costs are expected to be recognized over a weighted average period of 3.2 years.

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Notes to Interim Consolidated Financial Statements

For the three and six months ended September 30, 2009

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

(Unaudited)

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Number of options granted		125,000	160,000	125,000
Weighted average fair value per option granted ($)		6.43	5.89	6.43
Weighted average assumptions:				
Dividend yield		Nil%	Nil%	Nil%
Expected volatility		47.26%	77.47%	47.26%
Risk-free interest rate		3.59%	3.44%	3.59%
Expected life (years)		6.5	6.5	6.5

b) Deferred performance share unit plan

On March 19, 2008, the Company approved a Deferred Performance Share Unit (DPSU) Plan which became effective April 1, 2008.

DPSUs will be granted effective April 1 of each fiscal year in respect of services to be provided in that fiscal year and the following two fiscal years. The DPSUs vest at the end of a three-year term and are subject to the performance criteria approved by the Compensation Committee of the Board of Directors at the date of grant. Such performance criterion includes the passage of time and is based upon return on invested capital calculated as operating income divided by average operating assets. The date of the third fiscal year-end following the date of the grant of DPSUs shall be the maturity date for such DPSUs. At the maturity date, the Compensation Committee shall assess the participant against the performance criteria and determine the number of DPSUs that have been earned (earned DPSUs).

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

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Notes to Interim Consolidated Financial Statements

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(Unaudited)

The fair value of each unit under the DPSU Plan was estimated on the date of the grant using Black-Scholes option pricing model. The weighted average assumptions used in estimating the fair value of the units issued under the DPSU Plan are as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2009	2008	2009	2008
Number of units granted			748,791	111,020
Weighted average fair value per unit granted ($)			3.65	12.34
Weighted average assumptions:				
Dividend yield			Nil%	Nil%
Expected volatility			95.49%	56.25%
Risk-free interest rate			1.35%	2.83%
Expected life (years)			3.0	3.0

	Three Months Ended September 30,		Six Months Ended September 30,	
	2009	2008	2009	2008
	Number of Units		Number of Units	
Outstanding, beginning of period	820,795	111,020	91,005	
Granted			748,791	111,020
Exercised				
Forfeited	(12,894)	(9,384)	(31,895)	(9,384)
Outstanding, end of period	807,901	101,636	807,901	101,636

The weighted average exercise price per unit is $nil.

At September 30, 2009, the weighted average remaining contractual life of outstanding DPSU Plan units is 2.39 years (March 31, 2009 2.0 years). For the three and six months ended September 30, 2009, respectively, the Company granted nil and 748,791 units under the Plan and recorded compensation expense of $64 and $278 respectively (three and six months ended September 30, 2008 $29 and $142 respectively) which is included in general and administrative costs. This compensation expense was adjusted based upon management s assessment of performance against return on invested capital targets and the ultimate number of units expected to be issued. As at September 30, 2009, there was approximately $1,861 of total unrecognized compensation cost related to non-vested share-based payment arrangements under the DPSU Plan, which is expected to be recognized over a weighted average period of 2.39 years and is subject to performance adjustments.

c) Director s deferred stock unit plan

On November 27, 2007, the Company approved a Directors Deferred Stock Unit (DDSU) Plan, which became effective January 1, 2008. Under the DDSU Plan, non-officer directors of the Company shall receive 50% of their annual fixed remuneration (which is included in general and administrative expenses in the Consolidated Statement of Operations, Comprehensive Income (Loss) and Deficit) in the form of DDSUs and may elect to receive all or a part of their annual fixed remuneration in excess of 50% in the form of DDSUs. The number of DDSUs to be credited to the participants deferred share unit account shall be determined by dividing

Notes to Interim Consolidated Financial Statements

For the three and six months ended September 30, 2009

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

(Unaudited)

the amount of the participant s deferred remuneration by the fair market value per common share on the date the DDSUs are credited to the Participant (the date the services are rendered by the participant). The DDSUs vest immediately upon grant and are only redeemable upon death or retirement of the participant for cash determined by the market price of the Company s common shares for the 5 trading day s immediately preceding death or retirement. Directors, who are not US taxpayers, may elect to defer the maturity date until a date no later than December 1st of the calendar year following the year in which the actual maturity date occurred.

	Three Months Ended September 30,		Six Months Ended September 30,	
	2009	2008	2009	2008
	Number of Units		Number of Units	
Outstanding, beginning of period	173,008	20,774	139,691	11,822
Granted	36,706	17,487	70,023	26,439
Exercised				
Forfeited				
Outstanding, end of period	209,714	38,261	209,714	38,261

For the three and six months ended September 30, 2009, the Company recorded an expense of $143 and $817 respectively, which is included in general and administrative costs (three and six months ended September 30, 2008 $(38) recovery and $231 respectively) related to the grants of DDSUs.

At September 30, 2009, the redemption value of these units was $6.50/unit (March 31, 2009 $3.91/unit). There is no unrecognized compensation expense related to deferred share units, since these awards vest immediately when granted.

15. Contingencies

During the normal course of the Company s operations, various legal and tax matters are pending. In the opinion of management, these matters will not have a material effect on the Company s consolidated financial position or results of operations.

16. Seasonality

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

Notes to Interim Consolidated Financial Statements

For the three and six months ended September 30, 2009

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

(Unaudited)

17. Claims revenue

For the three and six months ended September 30, 2009, due to the timing of receipt of signed change orders, the Heavy Construction and Mining segment had approximately $0.2 million and $0.9 million respectively in claims revenue recognized to the extent of costs incurred, the Piling segment had $0.2 million and $0.2 million respectively in claims revenue recognized to the extent of costs incurred, and the Pipeline segment had $1.5 million and $1.5 million respectively in claims revenue recognized to the extent of costs incurred.

18. Comparative figures

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

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NORTH AMERICAN ENERGY PARTNERS INC.

Management s Discussion and Analysis

For the three and six months ended September 30, 2009

The following discussion and analysis is as of November 3, 2009 and should be read in conjunction with the attached unaudited consolidated financial statements for the three and six months ended September 30, 2009, the audited consolidated financial statements for the fiscal year ended March 31, 2009, together with our most recent annual Management s Discussion and Analysis. These statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). Except where otherwise specifically indicated, all dollar amounts are expressed in Canadian dollars. These consolidated financial statements, our most recent annual Management s Discussion and Analysis 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 and the Securities and Exchange Commission s website at www.sec.gov.

November 3, 2009

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NORTH AMERICAN ENERGY PARTNERS INC.

Management s Discussion and Analysis

For the three and six months ended September 30, 2009

A. FINANCIAL RESULTS

Consolidated Three and Six Month Results

	Three months ended September 30,					Six months ended September 30,				
(dollars in thousands)	2009	% of Revenue	2008	% of Revenue	Change	2009	% of Revenue	2008	% of Revenue	Change
Revenue	**$ 171,110**	**100.0%**	**$ 280,283**	**100.0%**	**$ (109,173)**	**$ 318,213**	**100.0%**	**$ 539,270**	**100.0%**	**$ (221,057)**
Project costs	65,959	38.5%	154,961	55.3%	(89,002)	120,512	37.9%	303,592	56.3%	(183,080)
Equipment costs	44,359	25.9%	60,787	21.7%	(16,428)	90,403	28.4%	106,597	19.8%	(16,194)
Equipment operating lease expense	15,684	9.2%	9,586	3.4%	6,098	28,033	8.8%	18,384	3.4%	9,649
Depreciation	11,987	7.0%	10,668	3.8%	1,319	21,334	6.7%	18,826	3.5%	2,508
Gross profit	**33,121**	**19.4%**	**44,281**	**15.8%**	**(11,160)**	**57,931**	**18.2%**	**91,871**	**17.0%**	**(33,940)**
General & administrative costs	14,015	8.2%	19,345	6.9%	(5,330)	29,081	9.1%	38,561	7.2%	(9,480)
Operating income	18,569	10.9%	23,046	8.2%	(4,477)	28,341	8.9%	49,976	9.3%	(21,635)
Net income (loss)	**$ 809**	**0.5%**	**$ (1,222)**	**-0.4%**	**$ 2,031**	**$ 15,583**	**4.9%**	**$ 17,874**	**3.3%**	**$ (2,291)**
Per share information										
Net income (loss) basic	$ 0.02		$ (0.03)		$ 0.05	$ 0.43		$ 0.50		$ (0.07)
Net income (loss) diluted	$ 0.02		$ (0.03)		$ 0.05	$ 0.43		$ 0.48		$ (0.05)
EBITDA[1]	$ 22,583	13.2%	$ 18,139	6.5%	$ 4,444	$ 59,586	18.7%	$ 57,429	10.6%	$ (2,157)
Consolidated EBITDA[1] (as defined within our credit agreement)	**$ 31,755**	**18.6%**	**$ 36,226**	**12.9%**	**$ (4,471)**	**$ 51,340**	**16.1%**	**$ 72,953**	**13.5%**	**$ (21,613)**

[1] 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. EBITDA is calculated as net income before interest expense, income taxes, depreciation and amortization. Consolidated EBITDA is a measure defined by our credit agreement. This measure 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 property, plant and equipment and certain other non-cash items included in the calculation of net income. We believe that EBITDA is a meaningful measure of the performance of our business because it excludes items, such as depreciation and amortization, interest and taxes that are not directly related to the operating performance of our business. Management reviews EBITDA to determine whether plant and equipment are being allocated efficiently. In addition, our credit facility requires us to maintain a minimum interest coverage ratio and a maximum senior leverage ratio, which are calculated using Consolidated EBITDA. Non-compliance with these financial covenants could result in our being required to immediately repay all amounts outstanding under our credit facility. EBITDA and Consolidated EBITDA are non-GAAP financial measures and 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 Canadian GAAP or 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; and

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

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

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

	Three months ended September 30,			Six months ended September 30,		
(dollars in thousands)	**2009**	**2008**	**Change**	**2009**	**2008**	**Change**
Net income (loss)	**$ 809**	**$ (1,222)**	**$ 2,031**	**$ 15,583**	**$ 17,874**	**$ (2,291)**
Adjustments:						
Interest expense	8,980	6,440	2,540	17,617	12,889	4,728
Income taxes	571	1,977	(1,406)	4,568	7,286	(2,718)
Depreciation	11,987	10,668	1,319	21,334	18,826	2,508
Amortization of intangible assets	236	276	(40)	484	554	(70)
EBITDA	**$ 22,583**	**$ 18,139**	**$ 4,444**	**$ 59,586**	**$ 57,429**	**$ 2,157**
Adjustments:						
Unrealized foreign exchange (gain) loss on senior notes	(17,877)	8,147	(26,024)	(37,196)	6,316	(43,512)
Realized and unrealized loss on derivative financial instruments	26,271	7,618	18,653	27,317	5,353	21,964
Loss on disposal of property, plant and equipment and assets held for sale	301	1,614	(1,313)	25	2,780	(2,755)
Stock-based compensation expense	477	708	(231)	1,608	1,075	533
Consolidated EBITDA	**$ 31,755**	**$ 36,226**	**$ (4,471)**	**$ 51,340**	**$ 72,953**	**$ (21,613)**

Analysis of Results

Revenue

For the three months ended September 30, 2009, revenues of $171.1 million were $109.2 million lower than in the same period last year. As we anticipated, continued weakness in commercial and industrial construction markets, reduced development activity in the oil sands and a sharp decline in Pipeline segment revenues following our completion of the TMX[1] pipeline project resulted in lower project development revenues. Recurring services revenue was stable year-over-year, with overburden removal activity on our long-term contract with Canadian Natural[2] continuing to ramp up following the customer s successful production start-up this spring. We also continued to increase services to Shell Albian [3]s Muskeg River Mine and Jackpine Mine, under our three-year earthmoving and mine services contract.

For the six months ended September 30, 2009, revenues of $318.2 million were $221.1 million lower than the same period last year. Reduced development activity in the oil sands, a sharp decline in Pipeline segment revenues and the continued weakness in commercial and industrial construction markets resulted in significantly lower project development revenues year-over-year. Recurring services revenues were also lower on year-to-date basis. This reflects reduced overburden removal activity during Canadian Natural s production start-up in the

[1] Kinder Morgan s Trans Mountain Expansion (TMX) Anchor Loop pipeline
[2] Canadian Natural Resources Limited (Canadian Natural) Horizon project
[3] Shell Canada Energy, a division of Shell Canada Limited, the operator of the Shell Albian Sands (Shell Albian) 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 Canada Corporation (20%). Prior to January 1, 2009, these operations were run by Albian Sands Energy Inc.

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three months ended June 30, 2009 and a major maintenance program at Syncrude[4], both of which were unrelated to market conditions.

Gross Profit

Gross profit for the three months ended September 30, 2009 was $33.1 million, a decrease of $11.2 million from the same period in the prior year. The decline in gross profit is primarily related to lower revenue. As a percentage of revenue, gross profit margin improved to 19.4%, from 15.8% in the same period of the prior year, reflecting the benefit of reduced equipment costs from the timing of planned repairs and maintenance as well as company-wide efforts to improve efficiency and reduce expenses.

Project costs, as a percent of revenue, decreased to 38.5% during the three months ended September 30, 2009, compared to 55.3% in the same period last year. Lower project costs were offset by an increase in equipment costs to 25.9% of revenue during the three months ended September 30, 2009, compared to 21.7% of revenue in the same period last year. The decrease in project costs, as a percent of revenue, was partially offset by, as a percent of revenue, increased equipment costs, higher operating lease expense and an increase in depreciation. The change in cost mix reflects reduced activity in the Pipeline segment, which is traditionally our most labour, material and subcontractor-intensive business, as well as increased contribution from the equipment-intensive Heavy Construction and Mining segment. Equipment operating lease expense increased $6.1 million year-over-year to $15.7 million, reflecting our commissioning of a second new electric cable shovel at the Canadian Natural site in December 2008, as well as growth in the size of our leased equipment fleet. Depreciation also increased to 7.0% of revenue in the current three month period ended September 30, 2009, compared to 3.8% in the same period last year, reflecting the increased contribution from the Heavy Construction and Mining segment, a reduction in the use of rental equipment and an accelerated depreciation charge of $1.5 million, compared to $0.3 million in the same period last year, as certain aging equipment was prepared for resale.

Gross profit for the six months ended September 30, 2009 was $57.9 million, a decrease of $33.9 million compared to the same period last year. The change in gross profit was primarily related to lower revenues. As a percentage of revenue, we increased our gross profit margin to 18.2%, reflecting the benefit of reduced equipment costs from the timing of planned repairs and maintenance and company-wide efforts to improve efficiency and reduce expenses. Prior-year gross profit margins of 17.0% were bolstered by the $5.3 million settlement of claims revenue on a pipeline project. Excluding this benefit, gross profit margins would have been 16.2% for the six-month period last year.

Project costs, as a percent of revenue, decreased to 37.9% during the six months ended September 30, 2009, from 56.3% in the same period last year. The decrease in project costs, as a percent of revenue, was partially offset by, as a percent of revenue, increased equipment costs, higher operating lease expense and an increase in depreciation. The change in cost mix reflects reduced activity in the Pipeline segment and increased contribution from the equipment-intensive Heavy Construction and Mining segment. Equipment costs increased to 28.4% of revenue during the six months ended September 30, 2009, from 19.8% of revenue in the same period last year. Equipment operating lease expense increased $9.6 million year-over-year to $28.0 million, reflecting the commissioning of the second new electric cable shovel at the Canadian Natural site in December 2008, as well as growth in the size of our leased equipment fleet. Depreciation also increased to 6.7% of revenue in the current

[4] Syncrude Canada Limited (Syncrude), a joint venture between Canadian Oil Sands Limited (36.74%), Imperial Oil Resources (25.0%), Suncor Energy Inc. (12.0%) (Previously Petro-Canada Ltd.), ConocoPhillips Oil Sands Partnership II (9.03%), Nexen Oil Sands Partnership (7.23%), Mocal Energy Limited (5.0%) and Murphy Oil Company Ltd. (5.0%). Syncrude is the project operator.

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six-month period ended September 30, 2009, compared to 3.5% in the same period last year, reflecting the increased contribution from the Heavy Construction and Mining segment, a reduction in the use of rental equipment and an accelerated depreciation charge of $3.2 million, compared to $0.8 million in the same period last year, as certain aging equipment was prepared for resale. Tire expenses for the six months ended September 30, 2009 were lower by $4.1 million compared to the same period last year as a result of lower operating hours and a reduction in tire prices reflecting improved worldwide availability.

Operating income

For the three months ended September 30, 2009, we recorded operating income of $18.6 million or 10.9% of revenue, compared to operating income of $23.0 million or 8.2% of revenue during the same period last year. General and administrative (G&A) costs decreased by $5.3 million compared to the same three-month period last year. The benefits of reorganization and cost-reduction initiatives implemented in the three months ended March 31, 2009, as well as process improvements implemented in the second half of the prior fiscal year contributed to the lower G&A costs in the current period.

For the six months ended September 30, 2009, we recorded operating income of $28.3 million or 8.9% of revenue, compared to operating income of $50.0 million or 9.3% of revenue, during the same period last year. G&A costs decreased by $9.5 million compared to the same six-month period last year. Lessening