North American Energy Partners Inc.
Form 6-K
February 01, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

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

under the Securities Exchange Act of 1934

For the month of February 2010

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 þ

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): ¨

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ¨ No þ

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-________ .

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Documents Included as Part of this Report

1. Interim consolidated financial statements of North American Energy Partners Inc. for the three and nine months ended December 31, 2009.

2. Management s Discussion and Analysis for the three and nine months ended December 31, 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: February 1, 2010

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NORTH AMERICAN ENERGY PARTNERS INC.

Interim Consolidated Financial Statements

For the three and nine months ended December 31, 2009

(Expressed in thousands of Canadian Dollars)

(Unaudited)

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Interim Consolidated Balance Sheets

(In thousands of Canadian Dollars)

	December 31, 2009 (Unaudited)	March 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$96,443	$98,880
Accounts receivable	91,716	78,323
Unbilled revenue	82,232	55,907
Inventories	8,088	11,814
Prepaid expenses and deposits	7,982	4,781
Future income taxes	12,954	7,033
	299,415	256,738
Future income taxes	9,305	12,432
Assets held for sale	1,038	2,760
Prepaid expenses and deposits	4,438	3,504
Property, plant and equipment (note 7)	347,396	329,705
Goodwill (note 5)	25,111	23,872
Intangible assets	1,980	1,041
	$688,683	$630,052
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$78,097	$56,204
Accrued liabilities	26,770	52,135
Billings in excess of costs incurred and estimated earnings on uncompleted contracts	1,901	2,155
Current portion of capital lease obligations	5,287	5,409
Current portion of derivative financial instruments (note 12)	5,084	11,439
Current portion of long term debt (note 8(a))	6,072	
Future income taxes	13,211	7,749
	136,422	135,091
Deferred lease inducements (note 9)	788	836
Capital lease obligations	9,083	12,075
Long term debt (note 8(a))	23,892	
Senior notes (note 8 (b))	204,953	252,899
Director deferred stock unit liability (note 15(d))	1,834	546
Restricted share unit liability (note 15(c))	639	
Derivative financial instruments (note 12)	86,189	50,562
Asset retirement obligation	351	386
Future income taxes	38,855	30,220
	503,006	482,615

Shareholders equity:		
Common shares (authorized unlimited number of voting and non-voting common shares; issued and outstanding December 31, 2009 36,038,476 voting common shares (March 31, 2009 36,038,476 voting common shares) (note 10(a))	299,973	299,973
Contributed surplus (note 10(b))	7,135	5,275
Deficit	(121,431)	(157,811)
	185,677	147,437
	$688,683	$630,052

Contingencies (note 16)

Subsequent event (note 20)

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 December 31,		Nine Months Ended December 31,	
	2009	2008	2009	2008
Revenue	$222,714	$258,565	$540,927	$797,836
Project costs	90,322	129,912	210,834	433,504
Equipment costs	57,512	55,549	147,915	162,146
Equipment operating lease expense	16,287	11,934	44,320	30,317
Depreciation	11,173	10,178	32,507	29,004
Gross profit	47,420	50,992	105,351	142,865
General and administrative costs	14,847	19,156	43,928	57,717
Loss on disposal of property, plant and equipment	743	1,022	1,044	3,778
Loss on disposal of assets held for sale	649		373	24
Amortization of intangible assets	277	268	761	822
Impairment of goodwill		32,753		32,753
Operating income (loss) before the undernoted	30,904	(2,207)	59,245	47,771
Interest expense, net (note 11)	9,652	6,774	27,269	19,663
Foreign exchange (gain) loss	(5,403)	32,504	(42,480)	39,099
Realized and unrealized (gain) loss on derivative financial instruments (note 12)	(2,363)	(26,523)	24,954	(21,171)
Other expenses (income)	471	(5,343)	804	(5,364)
Income (loss) before income taxes	28,547	(9,619)	48,698	15,544
Income taxes (note 13(c)):				
Current income taxes	591	1,779	1,855	1,842
Future income taxes	7,159	3,301	10,463	10,527
Net income (loss) and comprehensive income (loss) for the period	20,797	(14,699)	36,380	3,175
(Deficit), beginning of period as previously reported	(142,228)	(422)	(157,811)	(19,287)
Change in accounting policy related to inventories				991
Deficit, end of period	$(121,431)	$(15,121)	$(121,431)	$(15,121)
Net income (loss) per share basic (note 10(c))	$0.58	$(0.41)	$1.01	$0.09
Net income (loss) per share diluted (note 10(c))	$0.57	$(0.41)	$0.99	$0.09

See accompanying notes to unaudited interim consolidated financial statements.

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Interim Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian Dollars)

(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2009	2008	2009	2008
Cash provided by (used in):				
Operating activities:				
Net income (loss) for the period	$20,797	$(14,699)	$36,380	$3,175
Items not affecting cash:				
Depreciation	11,173	10,178	32,507	29,004
Amortization of intangible assets	277	268	761	822
Amortization of deferred lease inducements	(19)	(26)	(80)	(79)
Loss on disposal of property, plant and equipment	743	1,022	1,044	3,778
Loss on disposal of assets held for sale	649		373	24
Impairment of goodwill		32,753		32,753
Unrealized foreign exchange (gain) loss on senior notes	(5,074)	32,509	(42,270)	38,825
Amortization of bond issue costs, premiums and financing costs (note 11)	210	219	643	577
Unrealized change in the fair value of derivative financial instruments	(3,030)	(27,189)	22,953	(23,172)
Stock-based compensation expense (note 15)	1,428	497	3,853	1,803
Accretion expense asset retirement obligation	8	53	(4)	159
Future income taxes	7,159	3,301	10,463	10,527
Net changes in non-cash working capital (note 13(b))	(24,483)	22,025	(41,538)	(12,400)
	9,838	60,911	25,085	85,796
Investing activities:				
Acquisition (note 6)	(530)		(5,410)	
Purchase of property, plant and equipment	(4,774)	(9,369)	(48,039)	(84,895)
Additions to assets held for sale	(125)	(350)	(1,058)	(350)
Proceeds on disposal of property, plant and equipment	454	3,173	1,150	7,821
Proceeds on disposal of assets held for sale	1,170		2,282	194
Net changes in non-cash working capital (note 13(b))	(2,998)	(2,068)	(351)	3,191
	(6,803)	(8,614)	(51,426)	(74,039)
Financing activities:				
Cheques issued in excess of cash deposits		(665)		
(Decrease) increase in long term debt (notes 6 and 8)	(3,037)	(10,000)	29,312	
Repayment of capital lease obligations	(1,271)	(2,029)	(4,219)	(4,719)
Cash settlement of stock options (note 10(b))			(66)	
Stock options exercised				702
Financing costs (note 8(a))			(1,123)	
	(4,308)	(12,694)	23,904	(4,017)

(Decrease) increase in cash and cash equivalents	(1,273)	39,603	(2,437)	7,740
Cash and cash equivalents, beginning of period	97,716		98,880	31,863
Cash and cash equivalents, end of period	$96,443	$39,603	$96,443	$39,603

Supplemental cash flow information (note 13(a))

See accompanying notes to unaudited interim consolidated financial statements.

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Notes to Interim Consolidated Financial Statements

For the three and nine months ended December 31, 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 subsidiary, NACGI, 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 Road Inc.
North American Construction Ltd.	North American Services Inc.
North American Engineering Inc.	North American Site Development Ltd.
North American Enterprises Ltd.	North American Site Services Inc.
North American Industries Inc.	North American Pile Driving Inc.
North American Mining Inc.	DF Investments Limited
North American Maintenance Ltd.	Drillco Foundation Co. Ltd.
North American Pipeline Inc.	

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 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

On July 1, 2009, the Company early adopted CICA Handbook Section 1582, Business Combinations , effective April 1, 2009. 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 consideration 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 April 1, 2009. This new standard was applied to the acquisition of DF Investments Ltd. and its subsidiary Drillco Foundation Co. Ltd. (note 6).

iii) Consolidated financial statements

On July 1, 2009, the Company early adopted CICA Handbook Section 1601, Consolidated Financial Statements , effective April 1, 2009. The new standard replaces Section 1600 Consolidated Financial Statements . This Section

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Notes to Interim Consolidated Financial Statements

For the three and nine months ended December 31, 2009

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

(Unaudited)

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

On July 1, 2009, the Company early adopted CICA Handbook Section 1602, Non-Controlling Interests , effective April 1, 2009. The new standard 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 April 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.

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.

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Notes to Interim Consolidated Financial Statements

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(Unaudited)

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 entity 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. Beginning with the three month period 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.

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. Goodwill

The change in goodwill during the nine months ended December 31, 2009 is as follows:

Balance, March 31, 2009	$ 23,872
Additions (note 6)	1,239
Balance, December 31, 2009	$25,111

The Company conducted its annual goodwill impairment test on October 1, 2009 and concluded there was no impairment.

6. 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 a consideration of $5,410. This acquisition gives the Company access to piling markets and customers in the Toronto area. 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:	
Accounts receivable	$4,101
Inventories	59
Prepaid expenses and deposits	11
Property, plant and equipment	2,873
Land	281

Intangible assets	547
Goodwill (assigned to the Piling segment)	1,239
Accounts payable and accrued liabilities	(2,211)
Future income tax liability	(838)
Long term debt	(652)
	$5,410

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.

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Notes to Interim Consolidated Financial Statements

For the three and nine months ended December 31, 2009

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

(Unaudited)

7. Property, plant and equipment

December 31, 2009	Cost	Accumulated Depreciation	Net Book Value
Heavy equipment	$349,243	$91,588	$257,655
Major component parts in use	30,058	6,631	23,427
Other equipment	24,558	10,266	14,292
Licensed motor vehicles	14,872	9,169	5,703
Office and computer equipment	18,755	6,905	11,850
Buildings	20,709	6,035	14,674
Land	281		281
Leasehold improvements	9,217	2,577	6,640
Assets under capital lease	25,586	12,712	12,874
	$493,279	$145,883	$347,396

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 nine months ended December 31, 2009, additions to property, plant and equipment included $449 and $1,105 respectively, of assets that were acquired by means of capital leases (three and nine months ended December 31, 2008 $7,991 and $13,107 respectively). Depreciation of equipment under capital lease of $1,019 and $3,156 for the three and nine months ended December 31, 2009, respectively, was included in depreciation expense (three and nine months ended December 31, 2008 $1,337 and $3,570 respectively).

8. 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 December 31, 2009, the Company had issued $20.4 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 $120.0 million at December 31, 2009 and include the $90.0 million Revolving Facility and the outstanding borrowings of $30.0 million (March 31, 2009 $nil) under the Term Facility after mandatory principal repayments of $3.0 million in the quarter. 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 $69.6 million at December 31, 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 December 31, 2009, there were no borrowings under the Revolving Facility.

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Notes to Interim Consolidated Financial Statements

For the three and nine months ended December 31, 2009

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

(Unaudited)

Beginning September 30, 2009, and at the end of each fiscal quarter thereafter, the Company must make quarterly repayments on the Term Facility of $1,518 through June 2011, with the balance due at that time. 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 December 31, 2009.

During the three and nine months ended December 31, 2009, financing fees of $nil 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.

During the three and nine months ended December 31, 2009, the Company extinguished $nil and $652 respectively, of long term debt acquired through its August 1, 2009 acquisition of DF Investments Ltd. and its subsidiary Drillco Foundations Co. Ltd. (note 6).

b) Senior notes

	December 31, 2009	March 31, 2009
8 3/4% senior unsecured notes due 2011 ($U.S.)	$200,000	$200,000
Unrealized foreign exchange	9,320	52,040
Unamortized financing costs and premiums, net	(1,765)	(2,857)
Fair value of embedded prepayment and early redemption options (note 12)	(2,602)	3,716
	$204,953	$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, 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 December 31, 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%.

9. 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 nine months ended December 31, 2009, the Company recorded inducements from a lessor in the form of leasehold improvements to a new office facility of $32.

	December 31, 2009	March 31, 2009
Balance, beginning of period	$836	$941
Additions	32	
Amortization	(80)	(105)
Balance, end of period	$788	$836

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Notes to Interim Consolidated Financial Statements

For the three and nine months ended December 31, 2009

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

(Unaudited)

10. 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 December 31, 2009 and March 31, 2009	36,038,476	$299,973

b) Contributed surplus

Balance, March 31, 2009	$ 5,275
Stock-based compensation (note 15(a))	1,733
Deferred performance share unit plan (note 15(b))	213
Reclassified to restricted share unit liability (note 15(c))	(20)
Cash settlement of stock options	(66)
Balance, December 31, 2009	$7,135

c) Net income (loss) per share

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2009	2008	2009	2008
Net income (loss) available to common shareholders	$20,797	$(14,699)	$36,380	$3,175
Weighted average number of common shares	36,038,476	36,038,476	36,038,476	36,015,172
Basic net income (loss) per share	$0.58	$(0.41)	$1.01	$0.09

Net income (loss) available to common shareholders	$20,797	$(14,699)	$36,380	$3,175
Weighted average number of common shares	36,038,476	36,038,476	36,038,476	36,015,172
Dilutive effect of stock options and performance units	651,550		672,960	668,687
Weighted average number of diluted common shares	36,690,026	36,038,476	36,711,436	36,683,859
Diluted net income (loss) per share	$0.57	$(0.41)	$0.99	$0.09

For the three and nine months ended December 31, 2009, there were 155,576 and 159,244 options and performance units respectively, which were anti-dilutive and therefore were not considered in computing diluted earnings per share (three and nine months ended December 31, 2008 2,223,736 and 126,302 options and performance units 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 nine months ended December 31, 2009

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

(Unaudited)

11. Interest expense

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2009	2008	2009	2008
Interest expense on 8 3/4% senior notes and swaps	$10,421	$5,834	$31,972	$17,503
Interest income on 8 3/4% senior notes swaps (i)	(2,379)		(8,113)	
Interest on 8 3/4% senior notes	8,042	5,834	23,859	17,503
Interest on capital lease obligations	244	341	805	887
Amortization of bond issue costs and premiums	210	219	643	577
Interest on credit facilities	893	116	1,385	206
Interest on long-term debt	9,389	6,510	26,692	19,173
Other interest	263	264	577	490
	$9,652	$6,774	$27,269	$19,663

(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.

12. 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:

December 31, 2009	Derivative Financial Instruments	Senior Notes
Cross-currency and interest rate swaps	$76,162	$
Embedded price escalation features in a long-term revenue construction contract	6,291	
Embedded price escalation features in certain long-term supplier contracts	8,820	
Embedded prepayment and early redemption options on senior notes		(2,602)
Total fair value of derivative financial instruments	91,273	(2,602)
Less: current portion	5,084	

	$86,189	$(2,602)

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

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(Unaudited)

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2009	2008	2009	2008
Realized and unrealized (gain) loss on cross-currency and interest rate swaps	$(1,873)	$(28,087)	$38,615	$(34,309)
Unrealized loss (gain) on embedded price escalation features in a long-term revenue construction contract	342	(8,424)	6,615	(12,927)
Unrealized (gain) loss on embedded price escalation features in certain long-term supplier contracts	(254)	10,346	(13,958)	19,499
Unrealized (gain) loss on embedded prepayment and early redemption options on senior notes	(578)	(358)	(6,318)	6,566
	$(2,363)	$(26,523)	$24,954	$(21,171)

13. Other information

a) Supplemental cash flow information

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2009	2008	2009	2008
Cash paid during the period for:				
Interest	$23,895	$13,736	$49,068	$27,558
Income taxes	1,562		9,113	
Cash received during the period for:				
Interest	2,424	8	8,495	(2)
Income taxes	453	4	453	67
Non-cash transactions:				
Acquisition of property, plant and equipment by means of capital leases	449	7,991	1,105	13,107

b) Net change in non-cash working capital

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2009	2008	2009	2008
Operating activities:				
Accounts receivable	$(3,759)	$(8,173)	$(8,925)	$18,539
Allowance for doubtful accounts	158	1,217	(335)	2,517

Unbilled revenue	(14,617)	49,503	(26,325)	10,226
Inventory	1,991	(5,808)	3,785	(10,016)
Prepaid expenses and deposits	(2,862)	1,570	(4,154)	2,483
Accounts payable	10,061	(422)	20,035	(23,013)
Accrued liabilities	(13,159)	(9,111)	(25,365)	(15,206)
Billings in excess of costs incurred and estimated earnings on uncompleted contracts	(2,296)	(6,751)	(254)	2,070
	$(24,483)	$22,025	$(41,538)	$(12,400)
Investing activities:				
Accounts payable	$(2,998)	$(2,068)	$(351)	$3,191

c) Income taxes

Income tax expense as a percentage of income before income taxes for the three and nine months ended December 31, 2009 differs from the statutory rate of 28.91% 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. Income tax expense as a percentage of

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Notes to Interim Consolidated Financial Statements

For the three and nine months ended December 31, 2009

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

(Unaudited)

income before income taxes for the three and nine months ended December 31, 2008 differs from the statutory rate of 29.38% primarily due to the impact of changes in enacted tax rates, the benefit from changes in the timing of the reversal of temporary differences and a permanent difference related to the $32.8 million non-deductible goodwill impairment.

14. 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.

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 resources used to provide these services.

b) Results by business segment

Three Months Ended December 31, 2009	Heavy Construction and Mining	Piling	Pipeline	Total
Revenues from external customers	$185,170	$20,592	$16,952	$222,714
Depreciation of property, plant and equipment	8,363	701	51	9,115
Segment profits	36,461	4,505	1,072	42,038
Segment assets	413,321	93,036	21,210	527,567
Capital expenditures	1,573	305	53	1,931

Three Months Ended December 31, 2008	Heavy Construction and Mining	Piling	Pipeline	Total
Revenues from external customers	$198,620	$41,565	$18,380	$258,565
Depreciation of property, plant and equipment	5,701	1,117	2	6,820
Segment profits	38,489	12,740	5,589	56,818
Impairment of goodwill			(32,753)	(32,753)
Segment assets	553,083	121,692	7,785	682,560
Capital expenditures	6,636	479	87	7,202

Nine Months Ended December 31, 2009	Heavy Construction and Mining	Piling	Pipeline	Total
Revenues from external customers	$472,043	$50,268	$18,616	$540,927
Depreciation of property, plant and equipment	24,629	2,108	298	27,035
Segment profits	81,733	9,139	1,301	92,173
Segment assets	413,321	93,036	21,210	527,567
Capital expenditures	37,627	307	53	37,987

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For the three and nine months ended December 31, 2009

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

(Unaudited)

Nine Months Ended December 31, 2008	Heavy Construction and Mining	Piling	Pipeline	Total
Revenues from external customers	$564,101	$132,709	$101,026	$797,836
Depreciation of property, plant and equipment	18,438	2,811	567	21,816
Segment profits	86,416	32,445	22,464	141,325
Impairment of goodwill			(32,753)	(32,753)
Segment assets	553,083	121,692	7,785	682,560
Capital expenditures	68,091	7,634	5,157	80,882

c) Reconciliations

i) Income (loss) before income taxes

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2009	2008	2009	2008
Total profit for reportable segments	$42,038	$56,818	$92,173	$141,325
Less: unallocated corporate expenses:				
General and administrative costs	14,847	19,156	43,928	57,717
Loss on disposal of property, plant and equipment	743	1,022	1,044	3,778
Loss on disposal of assets held for sale	649		373	24
Amortization of intangible assets	277	268	761	822
Impairment of goodwill		32,753		32,753
Interest expense	9,652	6,774	27,269	19,663
Foreign exchange (gain) loss	(5,403)	32,504	(42,480)	39,099
Realized and unrealized (gain) loss on derivative financial instruments	(2,363)	(26,523)	24,954	(21,171)
Other expenses (income)	471	(5,343)	804	(5,364)
Unallocated equipment (recoveries) and costs [(i)]	(5,382)	5,826	(13,178)	(1,540)
Income (loss) before income taxes	$28,547	$ (9,619)	$48,698	$15,544

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

ii) Total assets

	December 31, 2009	March 31, 2009
Total assets for reportable segments	$527,567	$478,597
Corporate assets:		
Cash and cash equivalents	96,443	98,880

Property, plant and equipment	32,117	25,549
Future income taxes	22,259	19,465
Other	10,297	7,561
Total corporate assets	161,116	151,455
Total assets	$688,683	$630,052

The Company s goodwill of $25,111 is assigned to the Piling segment. All of the Company s assets are located in Canada.

iii) Depreciation of property, plant and equipment

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2009	2008	2009	2008
Total depreciation for reportable segments	$9,115	$6,820	$27,035	$21,816
Depreciation for corporate assets	2,058	3,358	5,472	7,188
Total depreciation	$11,173	$10,178	$32,507	$29,004

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(Unaudited)

iv) Capital expenditures for property, plant and equipment

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2009	2008	2009	2008
Total capital expenditures for reportable segments	$1,931	$7,202	$37,987	$80,882
Capital expenditures for corporate assets	2,843	2,167	10,052	4,013
Total capital expenditures	$4,774	$9,369	$48,039	$84,895

d) Customers

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2009	2008	2009	2008
Customer A	45%	34%	51%	28%
Customer B	20%	7%	17%	10%
Customer C	10%	15%	11%	15%
Customer D	5%	22%	5%	19%
Customer E	Nil%	7%	Nil%	12%

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

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

Three Months Ended December 31,	
2009	2008

	Number of options	Weighted average exercise price ($ per share)	Number of options	Weighted average exercise price ($ per share)
Outstanding, beginning of period	2,154,624	7.62	1,934,164	7.93
Granted			219,800	3.69
Exercised	(560)	(3.69)		
Forfeited	(25,400)	(9.60)	(29,400)	6.27
Outstanding, end of period	2,128,664	7.60	2,124,564	7.52

	Nine Months Ended December 31,			
	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	344,800	8.22
Exercised	(40,560)	4.98	(109,000)	(6.45)
Forfeited	(62,660)	(8.87)	(147,600)	(10.20)
Outstanding, end of period	2,128,664	7.60	2,124,564	7.52