

North American Energy Partners Inc.

Form 6-K

February 01, 2011

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 6-K**

**Report of Foreign Private Issuer**

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

**under the Securities Exchange Act of 1934**

**For the month of February 2011**

**Commission File Number 001-33161**

**NORTH AMERICAN ENERGY PARTNERS INC.**

**Zone 3 Acheson Industrial Area**

**2-53016 Highway 60**

**Acheson, Alberta**

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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

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

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

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**Documents Included as Part of this Report**

1. Interim consolidated financial statements of North American Energy Partners Inc. for the three and nine months ended December 31, 2010.
2. Management's Discussion and Analysis for the three and nine months ended December 31, 2010.
3. Canadian Supplement to Management's Discussion and Analysis for the three and nine months ended December 31, 2010.

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**SIGNATURES**

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

NORTH AMERICAN ENERGY PARTNERS INC.

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

Date: February 1, 2011

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**NORTH AMERICAN ENERGY PARTNERS INC.**

**Interim Consolidated Financial Statements**

**For the three and nine months ended December 31, 2010**

**(Expressed in thousands of Canadian Dollars)**

**(Unaudited)**

**Table of Contents****Interim Consolidated Balance Sheets**

(Expressed in thousands of Canadian Dollars)

(Unaudited)

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

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

See accompanying notes to unaudited interim consolidated financial statements.

2 **Financial Statements** North American Energy Partners Inc.

**Table of Contents****Interim Consolidated Statements of Operations and Comprehensive Income (Loss)**

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

(Unaudited)

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

See accompanying notes to unaudited interim consolidated financial statements.





**Table of Contents****Interim Consolidated Statements of Changes in Shareholders' Equity**

(Expressed in thousands of Canadian Dollars)

(Unaudited)

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

See accompanying notes to unaudited interim consolidated financial statements.

4 **Financial Statements** North American Energy Partners Inc.

**Table of Contents****Interim Consolidated Statements of Cash Flows**

(Expressed in thousands of Canadian Dollars)

(Unaudited)

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

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

Supplemental cash flow information (note 15(a))

See accompanying notes to unaudited interim consolidated financial statements.

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**Notes to Interim Consolidated Financial Statements**

For the three and nine months ended December 31, 2010

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

(Unaudited)

**1. Nature of operations**

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

**2. Significant accounting policy**

*i) Basis of presentation*

These unaudited interim consolidated financial statements are prepared in accordance with US GAAP for interim financial statements and do not include all of the disclosures normally contained in the Company's annual consolidated financial statements and as such these interim consolidated financial statements should be read in conjunction with the most recent annual financial statements. Material items that give rise to measurement differences to the consolidated financial statements under Canadian GAAP are outlined in note 22.

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

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

*ii) Foreign currency translation*

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

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

**3. United States accounting pronouncements recently adopted**

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

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

### *ii) Embedded credit derivatives*

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

**6 Notes to Consolidated Financial Statements** North American Energy Partners Inc.

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**Notes to Interim Consolidated Financial Statements**

For the three and nine months ended December 31, 2010

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

(Unaudited)

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

**4. Recent United States accounting pronouncements not yet adopted**

*i) Revenue recognition*

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

*ii) Share based payment awards*

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

*iii) Intangibles - Goodwill and Other*

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

*iv) Business Combinations*

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

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

### 5. Goodwill

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

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

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

### 6. Acquisition

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



**Table of Contents****Notes to Interim Consolidated Financial Statements**

For the three and nine months ended December 31, 2010

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

(Unaudited)

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

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

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

**7. Inventories**

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

**8. Property, plant and equipment**

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

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

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

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

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

8 **Notes to Consolidated Financial Statements** North American Energy Partners Inc.

**Table of Contents****Notes to Interim Consolidated Financial Statements**

For the three and nine months ended December 31, 2010

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

(Unaudited)

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

**9. Investment in and advances to unconsolidated joint venture**

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

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

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

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

**10. Deferred financing costs**

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

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

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

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

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

## 11. Long term debt

### a) Credit Facilities

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

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

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

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

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

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

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

**b) 8<sup>3</sup>/<sub>4</sub>% Senior Notes**

	December 31, 2010	March 31, 2010
8 <sup>3</sup> / <sub>4</sub> % senior unsecured notes due 2011 (\$US)	\$	\$200,000
Unrealized foreign exchange		3,120
	\$	\$203,120

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

### c) Series 1 Debentures

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

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

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

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

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

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

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

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

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

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

**12. Shares**

**a) Common shares**

Authorized:

Unlimited number of voting common shares

Unlimited number of non-voting common shares

Issued and outstanding:

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

**b) Net income (loss) per share**

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

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



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**13. Interest expense**

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

**14. Financial instruments**

In determining the fair value of financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing on each reporting date. Counterparty confirmations and standard market conventions and techniques, such as discounted cash flow analysis and option pricing models, are used to determine the fair value of the Company's financial instruments, including derivatives. All methods of fair value measurement result in a general approximation of value and such value may never actually be realized.

The fair values of the Company's cash and cash equivalents, accounts receivable, unbilled revenue, accounts payable and accrued liabilities approximate their carrying amounts due to the relatively short periods to maturity for the instruments.

The fair values of amounts due under the Term Facilities are based on management estimates which are determined by discounting cash flows required under the instruments at the interest rate currently estimated to be available for instruments with similar terms. Based on these estimates and by using the outstanding balance of \$70.9 million at December 31, 2010 and \$28.4 million at March 31, 2010, the fair value of amounts due under the Term Facilities as at December 31, 2010 and March 31, 2010 are not significantly different than their carrying value.

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

	December 31, 2010		March 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
8 <sup>3</sup> / <sub>4</sub> % senior notes <sup>(i)</sup>	\$	\$	\$203,120	\$203,526
Capital lease obligations <sup>(ii)</sup>	9,496	9,431	13,393	13,291

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Series 1 Debentures <sup>(iii)</sup>	225,000	237,935
--------------------------------------	---------	---------

- (i) The US Dollar denominated 8<sup>3</sup>/<sub>4</sub>% senior notes were redeemed during the three months ended June 30, 2010. The fair value of the 8<sup>3</sup>/<sub>4</sub>% senior notes on March 31, 2010 was based upon the period end closing market price translated into Canadian Dollars at period end exchange rates as at March 31, 2010. Expected discounted cash flows were not included in the fair value calculation.
- (ii) The fair values of amounts due under capital leases are based on management estimates which are determined by discounting cash flows required under the instruments at the interest rates currently estimated to be available for instruments with similar terms.
- (iii) The fair value of the Series 1 Debentures is based upon the expected discounted cash flows and the period end market price of similar financial instruments.

### ***Fair value hierarchy of financial instruments***

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

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

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

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

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

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

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

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

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

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

## 15. Other information

### a) Supplemental cash flow information

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

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**b) Net change in non-cash working capital**

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

**c) Income taxes**

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

**16. Segmented information****a) General overview**

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

Heavy Construction and Mining:

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

### Piling:

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

### Pipeline:

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

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

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**b) Results by business segment**

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

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

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

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

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

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

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**c) Reconciliations***i) Income (loss) before income taxes*

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

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

*ii) Total assets*

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

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

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

*iii) Depreciation of property, plant and equipment*

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

*iv) Capital expenditures for property, plant and equipment*

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

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**d) Customers**

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

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

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

**17. Other long term obligations**

Other long term obligations are as follows:

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

**18. Stock-based compensation plan****a) Stock-based compensation**

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

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

**b) Share option plan**

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

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

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

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

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

(ii) 550,000 options were modified as senior executive stock options on September 22, 2010 (note 18(c)).

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

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

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

**c) Senior executive stock option plan**

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

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

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

### d) Deferred performance share unit plan

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

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

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

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

The weighted average exercise price per unit is \$nil.

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

**e) Restricted share unit plan**

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

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

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

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

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

### **f) Director s deferred stock unit plan**

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



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

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

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

**g) Stock award plan**

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

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

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

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

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

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

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

### 19. Seasonality

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

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**20. Claims revenue**

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

**21. Comparative figures**

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

**22. United States and Canadian accounting policy differences**

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

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

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

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

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

Consolidated Statements of Operations, Comprehensive Income and Deficit Three months ended December 31, 2009

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

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

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

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



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