# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 40-F

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

x **ANNUAL REPORT PURSUANT TO SECTION 13(A) OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2011 Commission File Number 001-33161

# NORTH AMERICAN ENERGY PARTNERS INC.

**(Exact name of Registrant as specified in its charter)**

**Canada**
**(Province or other jurisdiction of incorporation or organization)**

**1629**
**(Primary Standard Industrial Classification Code Number (if applicable))**

**N/A**
**(I.R.S. Employer Identification Number (if applicable))**

**Suite 2400, 500 4th Avenue SW**
**Calgary, Alberta T2P 2V6**
**(403) 767–4825**
**(Address and telephone number of Registrant's principal executive offices)**

**CT Corporation System**
**111 Eighth Avenue, 13th Floor**
**New York, New York 10011**
**(212) 894-8940**
**(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)**

Securities registered or to be registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common Shares | Toronto Stock Exchange |
| | The New York Stock Exchange |

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

For annual reports, indicate by check mark the information filed with this Form:

x Annual information form x Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

36,242,526 Common Shares

Indicate by check mark whether the Registrant by filing 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 (the "Exchange Act"). If "Yes" is marked, indicate the filing number assigned to the Registrant in connection with such Rule.

Yes ¨ No x

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes ¨ No ¨

## ANNUAL INFORMATION FORM, AUDITED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

**Annual Information Form**

The Registrant's Annual Information Form for the fiscal year ended March 31, 2011 is attached as Exhibit 99.1 to this Annual Report on Form 40-F and is incorporated herein by reference.

**Audited Annual Consolidated Financial Statements**

The Registrant's audited annual consolidated financial statements for the fiscal year ended March 31, 2011, including the report of the independent registered chartered accountants with respect thereto, are attached as Exhibit 99.2 to this Annual Report on Form 40-F and are incorporated herein by reference.

**Management's Discussion and Analysis**

The Registrant's Management's Discussion and Analysis for the fiscal year ended March 31, 2011 is attached as Exhibit 99.3 to this Annual Report on Form 40-F and is incorporated herein by reference.

## DISCLOSURES REGARDING CONTROLS AND PROCEDURES

**Disclosure Controls and Procedures**

Please see “Internal Systems and Processes—Evaluation of Disclosure Controls and Procedures” included in the Registrant’s Management’s Discussion and Analysis for the fiscal year ended March 31, 2011, which is attached as Exhibit 99.3 to this Annual Report on Form 40-F and is incorporated herein by reference.

**Management’s Annual Report on Internal Control Over Financial Reporting**

Please see “Internal Systems and Processes—Management’s Report on Internal Controls Over Financial Reporting (ICFR)” included in the Registrant’s Management’s Discussion and Analysis for the fiscal year ended March 31, 2011, which is attached as Exhibit 99.3 to this Annual Report on Form 40-F and is incorporated herein by reference.

**Attestation Report of the Registered Public Accounting Firm**

The attestation report of the independent registered chartered accountants on management’s assessment of internal control over financial reporting is included under the heading “Report of Independent Registered Chartered Accountants” on pages 1 and 2 of Exhibit 99.2 to this Annual Report on Form 40-F, which attestation report is incorporated herein by reference.

**Changes in Internal Control over Financing Reporting**

Please see “Internal Systems and Processes—Remediation Plans” included in the Registrant’s Management’s Discussion and Analysis for the fiscal year ended March 31, 2011, which is attached as Exhibit 99.3 to this Annual Report on Form 40-F and is incorporated herein by reference.

## NOTICES PURSUANT TO REGULATION BTR

None.

## AUDIT COMMITTEE FINANCIAL EXPERT

The Registrant’s board of directors has determined that [Mr. Allen R. Sello], a member and the chairman of the Registrant’s audit committee, is an “audit committee financial expert” (as such term is defined by the rules and regulations of the Securities and Exchange Commission) and is “independent” (as such term is defined by the New York Stock Exchange’s listing standards applicable to the Registrant).

## CODE OF ETHICS

The Registrant has adopted a “code of ethics” (as such term is defined by the rules and regulations of the Securities and Exchange Commission), entitled the “Code of Conduct and Ethics Policy”, that applies to all employees the Registrant, including its President and Chief Executive Officer, its Chief Financial Officer and its Vice President, Finance. The Code of Conduct and Ethics Policy is available for viewing on the Registrant’s website at www.nacg.ca under “Investor Relations—Corporate Governance”. There were not any amendments to any provision of the Code of Conduct and Ethics Policy during the fiscal year ended March 31, 2011 that applied to the Registrant’s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Further, there were not any waivers, including implicit waivers, granted from any provision of the Code of Conduct and Ethics Policy during the fiscal year ended March 31, 2011 that applied to the Registrant’s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions.

## PRINCIPAL ACCOUNTANT FEES AND SERVICES AND PRE-APPROVAL POLICIES AND PROCEDURES

Please see “The Board and Board Committees” included in the Registrant’s Annual Information Form for the fiscal year ended March 31, 2011, which is attached as Exhibit 99.1 to this Annual Report on Form 40-F and is incorporated herein by reference.

## OFF-BALANCE SHEET ARRANGEMENTS

Please see “Off-Balance Sheet Arrangements” included in the Registrant’s Management’s Discussion and Analysis for the fiscal year ended March 31, 2011, which is attached as Exhibit 99.3 to this Annual Report on Form 40-F and is incorporated herein by reference.

## TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

Please see “Capital Commitments—Contractual Obligations and Other Commitments” included in the Registrant’s Management’s Discussion and Analysis for the fiscal year ended March 31, 2011, which is attached as Exhibit 99.3 to this Annual Report on Form 40-F and is incorporated herein by reference.

## IDENTIFICATION OF THE AUDIT COMMITTEE

Please see “The Board and Board Committees—Audit Committee” included in the Registrant’s Annual Information Form for the fiscal year ended March 31, 2011, which is attached as Exhibit 99.1 to this Annual Report on Form 40-F and is incorporated herein by reference.

## NYSE CORPORATE GOVERNANCE RULES

The Registrant has reviewed the New York Stock Exchange’s corporate governance rules and confirms that the Registrant’s corporate governance practices are not significantly different from those required of domestic companies under the New York Stock Exchange’s listing standards.

## UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

### Undertaking

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

### Consent to Service of Process

The Registrant previously filed with the Commission a Form F-X in connection with the class of securities in relation to which the obligation to file this report arises.

Any change to the name or address of the Registrant’s agent for service shall be communicated promptly to the Commission by an amendment to the Form F-X referencing the file number of the Registrant.

**SIGNATURES**

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

NORTH AMERICAN ENERGY PARTNERS INC.

By: /S/ RODNEY J. RUSTON
Rodney J. Ruston
President and Chief Executive Officer

Date: June 2, 2011

**EXHIBIT INDEX**

| | |
|---|---|
| 99.1 | Annual Information Form for the fiscal year ended March 31, 2011. |
| 99.2 | Audited Annual Consolidated Financial Statements for the fiscal year ended March 31, 2011. |
| 99.3 | Management's Discussion and Analysis for the fiscal year ended March 31, 2011. |
| 99.4 | Canadian Supplement to: Annual Management's Discussion and Analysis for the fiscal year ended March 31, 2011. |
| 99.5 | Consent of KPMG LLP. |
| 99.6 | Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934. |
| 99.7 | Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934. |
| 99.8 | Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 99.9 | Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

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Exhibit 99.1




**NORTH AMERICAN ENERGY PARTNERS INC.**

**ANNUAL INFORMATION FORM**

**June 2, 2011**

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**NORTH AMERICAN ENERGY PARTNERS INC.**
**Annual Information Form**
**June 2, 2011**

## EXPLANATORY NOTES

*The information in this Annual Information Form (AIF) is stated as at June 2, 2011, unless otherwise indicated. For an explanation of the capitalized terms and expressions and certain defined terms, please refer to the "Glossary" at the end of this AIF. All references in this AIF to "we", "us", "NAEPI" or the "Company", unless the context otherwise requires, mean North American Energy Partners Inc. and its Subsidiaries (as defined below).*

### INDUSTRY DATA AND FORECASTS

This Annual Information Form includes industry data and forecasts that we have obtained from publicly available information, various industry publications, other published industry sources and our internal data and estimates. For example, information regarding actual and anticipated production as well as reserves and current and scheduled projects in the Canadian oil sands was obtained from the Energy Resources Conservation Board ("ERCB") and the Canadian Energy Research Institute. Information regarding historical capital expenditures in the oil sands was obtained from the Canadian Association of Petroleum Producers ("CAPP").

Industry publications and other published industry sources generally indicate that the information contained therein was obtained from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. Although we believe that these publications and reports are reliable, we have not independently verified the data. Our internal data, estimates and forecasts are based upon information obtained from our customers, trade and business organizations and other contacts in the markets in which we operate and our management's understanding of industry conditions. Although we believe that such information is reliable, we have not had such information verified by any independent sources. References to barrels of oil related to the oil sands in this document are quoted directly from source documents and refer to both barrels of bitumen and barrels of bitumen that have been upgraded into synthetic crude oil, which is considered synthetic because its original hydrocarbon mark has been altered in the upgrading process. We understand that there is generally some shrinkage of bitumen volumes through the upgrading process. The shrinkage is approximately 11% according to the Canadian National Energy Board. We have not made any estimates or calculations with regard to these volumes and have quoted these volumes as they appeared in the related source documents.

### FORWARD-LOOKING INFORMATION

This document contains forward-looking information that is based on expectations and estimates as of the date of this document. Our forward-looking information is information that is subject to known and unknown risks and other factors that may cause future actions, conditions or events to differ materially from the anticipated actions, conditions or events expressed or implied by such forward-looking information. Forward-looking information is information that does not relate strictly to historical or current facts, and can be identified by the use of the future tense or other forward-looking words such as "believe", "expect", "anticipate", "intend", "plan", "estimate", "should", "may", "could", "would", "target", "objective", "projection", "forecast", "continue", "strategy", "intend", "position" or the negative of those terms or other variations of them or comparable terminology.

Examples of such forward-looking information in this document include, but are not limited to, statements with respect to the following, each of which is subject to significant risks and uncertainties and is based on a number of assumptions which may prove to be incorrect:

a) The expectation that our capabilities will enable us to support our customers' new oil sands developments and expansions as well as the increasing volume of recurring services generated by existing oil sands mines;

b) The expectation that further market improvement could occur in fiscal 2012;

c) That we anticipate the awarding of a new five-year master services agreement with Suncor;

d) The expectation that we will capitalize on further recurring services opportunities related to the ongoing processing of tailings and reclamation of tailings ponds;

e) The expectation that the demand for recurring oil sands services will grow;

f) The expectation that we will continue providing construction services to in situ projects;

g) The expectation that investments by Suncor and Syncrude will create opportunities for our new Tailings and Environmental Construction division to support the construction and operation of the new reclamation processes;

h) The expectation that the Horizon project will recommence oil production in a number of stages, returning to full capacity by the end of 2011;

i) The expectation that three of the four active oil sands mines will be operating later this year;

j) The expectation that we will benefit from increased construction spending in the private sector;

k) The expectation that mine development projects under consideration for permits and environmental approvals in British Columbia and will create strong demand for mining services;

l) The expectation that rising demand outside the oil sands not only creates opportunities for us to compete for this work but also could reduce the number of competitors looking for work in the oil sands;

m) The expectation that Canada's power transmission sector will receive significant investment over the next decade;

n) The expectation that resource mining development activity will return to the robust levels that prevailed prior to the economic downturn, with capital investment in exploration and development expected to reach increased levels in 2011;

o) The expectation that the additional 855,000 barrels per day of pipeline capacity that has been approved could go into service over the next few years;

p) The expectation that increasing near-term demand for small and large pipeline projects and expansions and for large maintenance contracts should support improved pricing and reduced risk on new contracts;

q) The expectation that conditions are expected to improve following the announcement of various pipeline projects in Western Canada;

r) The expectation that the writedown related to the Canadian Natural contract will not negatively impact any of our other operations;

s) The expectation that the mechanically stabilized earth (MSE) wall at Canadian Natural's facilities will be completed in June 2011;

t) The expectation that future mining expansions could ultimately increase total production capacity to 500,000 BPD;

u) The expectation that volumes and rates under the proposed contract with Suncor will be renegotiated after 2.5 years to reflect changing market conditions;

v) The expectation that Syncrude will increase total production capacity to 600,000 BPD by 2020;

w) The expectation that Phase 1 of the Exxon Kearl project will achieve 100,000 bbl with first oil production by August, 2012;

x) The expectation that we will bid on the construction of MSE walls for Syncrude;

y) The expectation that tire supply will tighten in the coming year;

z) The expectation that we will continue supplementing our tire allocation from Bridgestone and Michelin with supply from third party brokers;

aa) Management's expectation that a labour settlement will be reached without disruption;

bb) The expectation that any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements and other factors;

cc) The expectation that none of the litigation or legal proceedings in which we are currently involved could have a material adverse effect on our business, financial condition or results of operations;

dd) The expectation that Canadian Natural's acceptance of the revised indices is probable;

ee) Our intention to work with Canadian Natural to identify any equipment or personnel we can redeploy to other higher margin projects in the region; and

ff) We expect the anticipated growth in the oil sands region will attract new and sometimes larger competitors to enter the region and compete against us for projects.

While we anticipate that subsequent events and developments may cause our views to change, we do not have an intention to update this forward-looking information, except as required by applicable securities laws. This forward-looking information represents our views as of the date of this document and such information should not be relied upon as representing our views as of any date subsequent to the date of this document. We have attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimates expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. **There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.** These factors are not intended to represent a complete list of the factors that could affect us. See "Assumptions" and "Risks related to our business" below and risk factors highlighted in materials filed with the securities regulatory authorities filed in the United States and Canada from time to time, including, but not limited to, our most recent Management's Discussion and Analysis (MD&A) for the year ended March 31, 2011.

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**ASSUMPTIONS**

The material factors or assumptions used to develop the above forward-looking statements include, but are not limited to:

- The timely settlement of negotiations with Canadian Natural related to the escalation indices on the long-term overburden removal contract;
- The demand for recurring services remaining strong;
- The oil sands continuing to be an economically viable source of energy;
- Our customers and potential customers continuing to invest in the oil sands and other resource developments and to outsource activities for which we are capable of providing services;
- Our clients have accurately gauged the impact of the delays related to the Suncor and Canadian Natural plant fires;
- The Western Canadian economy continuing to develop and to receive additional investment in public construction;
- The mine projects in British Columbia will generally be approved;
- Our ability to benefit from increased recurring services revenue and projected development revenue tied to the operational activities of the oil sands;
- Our ability to secure specific types of rental equipment to support project development activity will allow us to meet our customers' variable service requirements while balancing the need to maximize equipment utilization with the need to achieve the lowest ownership costs;
- Our ability to access sufficient funds to meet our funding requirements will not be significantly impaired; and
- Our success in executing our growth strategy, managing our business, maintaining and growing our relationships with customers, retaining new customers, integrating our acquisitions, competing in the bidding process to secure new projects and identifying and implementing improvements in our maintenance and fleet management practices.

**ADOPTION OF US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

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

After significant analysis and consideration regarding the merits of reporting under IFRS or US GAAP, we decided to adopt US GAAP, commencing in fiscal 2010, as our primary reporting standard for our consolidated financial statements. Our audited consolidated financial statements for the year ended March 31, 2011 including related notes and the MD&A have therefore been prepared based on US GAAP. All comparative figures contained in these documents have been restated to reflect our results as if they had been historically reported in accordance with US GAAP as our reporting standard.

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

**NON-GAAP FINANCIAL MEASURES**

The body of generally accepted accounting principles applicable to us is commonly referred to as "GAAP". A non-GAAP financial measure is generally defined by the Securities and Exchange Commission (SEC) and by the Canadian securities regulatory authorities as one that purports to measure historical or future financial performance, financial position or cash flows, but excludes or includes amounts that would not be so adjusted in the most comparable GAAP measures. In our MD&A, we use non-GAAP financial measures such as "net income before interest expense, income taxes, depreciation and amortization" (EBITDA) and "Consolidated EBITDA" (as defined in our fourth amended and restated credit agreement, our "credit agreement"). Consolidated EBITDA is defined as EBITDA, excluding the effects of unrealized foreign exchange gain or loss, realized and unrealized gain or loss on derivative financial instruments, non-cash stock-based compensation expense, gain or loss on disposal of plant and equipment, the impairment of goodwill, the amendment related to the $42.5 million revenue writedown on the Canadian Natural overburden removal contract and certain other non-cash items included in the calculation of net income. We believe that EBITDA is a meaningful measure of the performance of our business because it excludes items, such as depreciation and amortization, interest and taxes that are not directly related to the operating performance of our business. Management reviews EBITDA to determine whether plant and equipment are being allocated

efficiently. In addition, our credit facility requires us to maintain a minimum interest coverage ratio and a maximum senior leverage ratio, both of which are calculated using Consolidated EBITDA. Non-compliance with these financial covenants could result in our being required to immediately repay all amounts outstanding under our credit facility. As EBITDA and Consolidated EBITDA are non-GAAP financial measures, our computations of EBITDA and Consolidated EBITDA may vary from others in our industry. EBITDA and Consolidated EBITDA should not be considered as alternatives to operating income or net income as measures of operating performance or cash flows as measures of liquidity. EBITDA and Consolidated EBITDA have important limitations as analytical tools and should not be considered in isolation or as substitutes for analysis of our results as reported under US GAAP or Canadian GAAP. For example, EBITDA and Consolidated EBITDA do not:

- reflect our cash expenditures or requirements for capital expenditures or capital commitments;
- reflect changes in our cash requirements for our working capital needs;
- reflect the interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- include tax payments that represent a reduction in cash available to us; or
- reflect any cash requirements for assets being depreciated and amortized and that may have to be replaced in the future.

Consolidated EBITDA excludes unrealized foreign exchange gains and losses and realized and unrealized gains and losses on derivative financial instruments, which, in the case of unrealized losses, may ultimately result in a liability that will need to be paid and in the case of realized losses, represents an actual use of cash during the period. Where relevant, particularly for earnings-based measures, we provide tables in this document that reconcile non-GAAP measures used to amounts reported on the face of the consolidated financial statements.

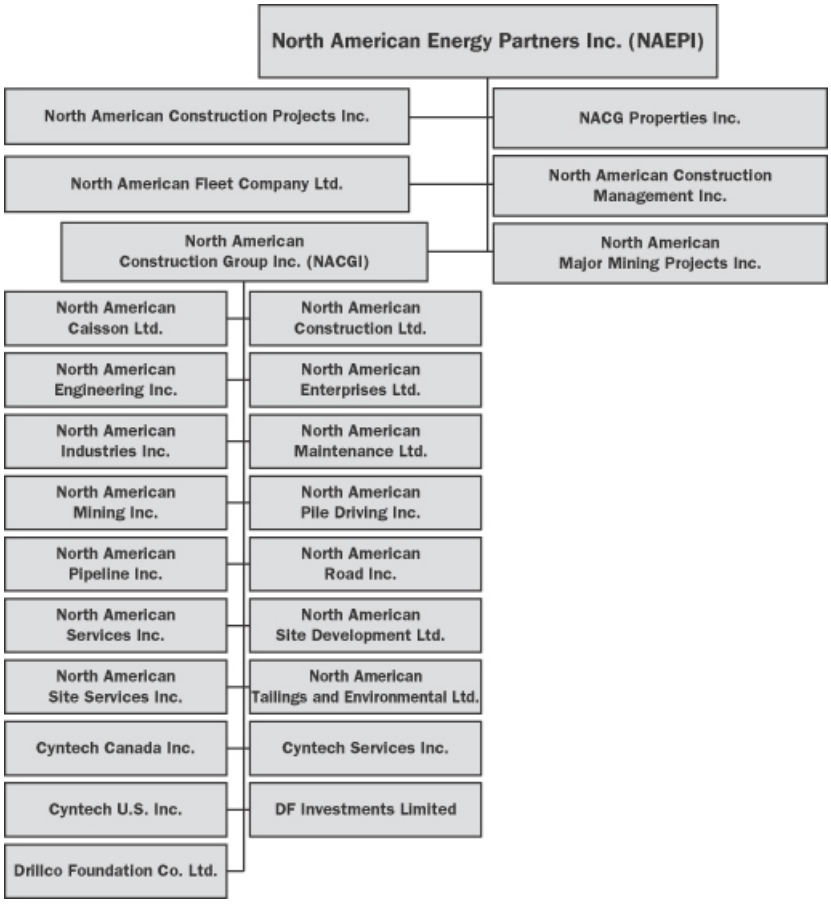
A reconciliation of net income (loss) to EBITDA and Consolidated EBITDA can be found in our annual Management's Discussion and Analysis for the year ended March 31, 2011, available on SEDAR at www.sedar.com and EDGAR at www.sec.gov.

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**CORPORATE STRUCTURE**

The Company was amalgamated under the *Canada Business Corporations Act* on November 28, 2006, and was the entity continuing from the amalgamation of NACG Holdings Inc. with its wholly-owned subsidiaries, NACG Preferred Corp. and North American Energy Partners Inc. The amalgamated entity continued under the name North American Energy Partners Inc. The Company's corporate office is located at Suite 2400, 500 4th Avenue SW, Calgary, Alberta, T2P 2V6.

The Company wholly-owns North American Fleet Company Ltd. ("NAFCL"), North American Construction Group Inc. ("NACGI"), North American Construction Projects Inc., North American Major Mining Projects Inc., North American Construction Management Inc. and NACG Properties Inc. NACGI, in turn, wholly-owns our operating subsidiaries (collectively, the "Subsidiaries"). The chart below depicts our current corporate structure with respect to each of our direct and indirect Subsidiaries:




All of our Subsidiaries are incorporated under the *Business Corporations Act* (Alberta), except NACGI which is amalgamated under the *Canada Business Corporations Act*, North American Construction Ltd. which is continued under the *Canada Business Corporations Act*, Drillco Foundation Co. Ltd. and DF Investments Limited which are incorporated under the *Business Corporations Act* (Ontario) and Cyntech U.S. Inc. which is incorporated under the Texas Business Organizations Code.

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## DESCRIPTION OF OUR BUSINESS

### BUSINESS OVERVIEW

We provide a wide range of heavy construction and mining, piling and pipeline installation services to customers in the Canadian oil sands, industrial construction, commercial and public construction and pipeline construction markets. Our primary market is the Canadian oil sands, where we support our customers' mining operations and capital projects. While we provide services through all stages of an oil sands project's lifecycle, our core focus is on providing recurring services, such as contract mining, during the operational phase. For the year ended March 31, 2011, recurring services represented 81% of our oil sands business. Our principal oil sands customers include all four producers that are currently mining bitumen in Alberta: Syncrude[1], Suncor[2], Shell[3] and Canadian Natural[4]. We focus on building long-term relationships with our customers. For example, we have been providing services to Syncrude and Suncor for over 30 years.

We believe that we operate the largest fleet of equipment of any contract resource services provider in the oil sands. Our total fleet (owned, leased and rented), most of which is located in the oil sands, includes approximately 780 pieces of diversified heavy construction equipment supported by over 750 ancillary vehicles. While our expertise covers mining, heavy construction, tailings management and mine reclamation services, underground services installation (fire lines, sewer, water, etc.) for industrial projects, and piling and pipeline installation in many different types of locations, we have a specific capability operating in the harsh climate and difficult terrain of northern Canada, particularly in the Canadian oil sands in Alberta.

We believe that our excellent safety record coupled with our significant oil sands knowledge, experience, long-term customer relationships, equipment capacity, scale of operations and broad service offering differentiate us from our competition. In addition, we believe that these capabilities will enable us to support our customers' new oil sands developments and expansions, as well as the ever-increasing volume of recurring services generated by existing oil sands mines.¿

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

### HISTORY AND DEVELOPMENT OF THE BUSINESS

We completed an Initial Public Offering (IPO) of our common shares and a related reorganization in November 2006 in order to reduce the leverage on our balance sheet and provide additional financial capacity as we pursued our growth strategy. The common shares began trading on the New York Stock Exchange on November 22, 2006 and became fully tradable on the Toronto Stock Exchange on November 28, 2006. Through the IPO, we raised a total of $152.6 million[5] in net proceeds. These funds were primarily used to restructure our balance sheet, reduce outstanding debt and buy out a number of equipment operating leases.

The following is a summary of the significant events that have influenced our business over the past three years.

During the first half of fiscal 2009, activity levels in all of our segments and markets were at peak levels as a result of record commodity prices and unprecedented commercial and industrial construction spending, particularly in Western Canada and the Canadian oil sands. In the second half of fiscal 2009, market conditions began to change and by the end of fiscal 2009, the Canadian economy was in a recession. Lower commodity prices and restricted access to capital forced a number of customers across our key end-markets to delay or defer capital intensive projects. This, in turn, reduced the backlog of new development projects and negatively impacted all three of our business segments.

In the oil sands, the economic downturn during 2009 contributed to a temporary reduction in demand for project development services supporting new construction. In contrast, demand for recurring services remained steady, reflecting the inherent stability of operational oil sands mines. The economy began to stabilize in the second half of fiscal 2010 and by the end of fiscal 2011, commodity prices had somewhat recovered. Oil sands producers began announcing plans to restart construction on previously postponed expansions and greenfield projects, signalling a return to growth in the oil sands.

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

2 Suncor Energy Inc. (Suncor).

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

4 Canadian Natural Resources Limited (Canadian Natural).

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

5 All denominations refer to Canadian dollars ($) unless otherwise specified.

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The commercial construction sector was also negatively affected by the weaker economic conditions of fiscal 2009, resulting in reduced demand for piling services. This impact was partially offset by an increase in public infrastructure spending related to federal and provincial government economic stimulus programs. Activity levels in the commercial construction sector began to recover in fiscal 2011 and indications point to further market improvement in fiscal 2012.¿

In the conventional oil and gas sector, the recession led to a scaling back of plans for new pipeline construction and expansion projects. While companies in the late planning stages of their projects continued to move forward, competition for these projects was intense and characterized by a high number of bidders willing to assume more risk at lower margins. During fiscal 2010, we secured and executed three relatively small, low-margin pipeline contracts. We incurred weather and other risks on these contracts and our Pipeline segment recorded a loss for the year. Market conditions remained challenging through fiscal 2011, however we secured and executed two large projects and several smaller jobs, achieving financial results that were closer to breakeven. By late fiscal 2011, the outlook for future pipeline construction activity had improved as a result of the recovery in commodity prices and the resurgence of oil sands production plans.

We have undertaken several strategic initiatives in the past three years to help us respond to changing market conditions and prepare for the future. Our initiatives include strengthening our financial position with a debt refinancing, capital spending reductions, organizational restructuring, cost-reduction initiatives and focused cash management. We have also focused attention on those areas of our business that provide opportunities for profitable revenue generation, particularly recurring services. In the Heavy Construction and Mining segment, we were awarded multi-year agreements with major oil sands customers including:

- a three-year master services agreement with Shell;
- a three-year muskeg removal contract with Shell; and
- a four-year master services agreement with Syncrude;

In addition to these recurring services contracts, we anticipate the awarding of a new five-year master services agreement with Suncor to supply reclamation, overburden removal and light and heavy civil construction services to the Millennium and Steepbank mines.¿

We also identified a service opportunity related to new regulations governing tailings pond management (Directive 74) and moved quickly to develop and market a capability that supports our clients' requirements. While this industry development is still in its early stages, we have already been involved in the construction of several pilot plants and some of the initial commercial developments. Going forward, we expect to capitalize on further recurring services opportunities related to the ongoing processing of tailings and reclamation of tailings ponds.¿

In the Piling segment, we have continued to position ourselves for the future by expanding our geographic reach and service offering with the acquisition of two piling companies. In fiscal 2010, we completed the acquisition of DF Investments Inc. and its subsidiary, Drillco Foundation Co. Ltd. This transaction established our presence in the large Ontario construction market. We followed up with the acquisition of Cyntech Corporation[6] in fiscal 2011. Cyntech provided us with screw piling capabilities, a patented pipeline anchoring system and maintenance capabilities for above-ground storage tanks, while also bringing us international business opportunities.

**OUR COMPETITIVE STRENGTHS**

We believe our competitive strengths are as follows:

**Leading market position**

We believe we are the largest provider of contract mining services in the Alberta oil sands area and we believe we are the largest piling foundations installer in Western Canada. We have operated in Western Canada for over 50 years and have participated in every significant oil sands mining project since operators first began developing this resource over 30 years ago. This has given us extensive experience operating in the challenging working conditions created by the harsh climate and difficult terrain of the oil sands and Northern Canada. We have amassed what we believe is the largest fleet of any contract services provider in the oil sands. We believe the combination of our significant size, extensive experience and broad service offerings makes us one of only a few companies capable of taking on long-term, large-scale mining and heavy construction projects in the oil sands.

**Large, well-maintained equipment fleet**

As of March 31, 2011, we had a heavy equipment fleet of 780 units, made up of–shovels, excavators, trucks and dozers as well as loaders, graders, scrapers, cranes, pipe layers and drill rigs. Over the past three years we have invested over $478.7 million in our fleet including upgrades, new equipment purchases and equipment leases. As a result, we believe we now have

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

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

an unmatched, modern fleet of equipment to service our clients' needs. Our fleet includes some of the largest-shovels in the world which are designed for use in the largest earthmoving and mining applications globally. Being the only contractor in the oil sands to operate shovels of this size and one of only two contractors to operate trucks larger than 240 tons capacity gives us a competitive advantage with respect to both skill base and equipment availability. The size and diversity of our fleet enables us to respond on short notice and provide customized fleet solutions for each specific job.

A well-maintained fleet is critical in the harsh climatic and environmental conditions we encounter. We operate four significant maintenance and repair centers on our customers' oil sands sites. These facilities are capable of accommodating the largest pieces of equipment in our fleet. In addition, we have a major repair facility located at our administrative offices near Edmonton, Alberta. This facility can perform the same major maintenance and repair activities as our facilities in the oil sands and provides back-up in the event of peak maintenance or repair requirements for oil sands equipment. We believe our combination of onsite and offsite service capabilities increases our efficiency. This, in turn, reduces costs and increases our equipment utilization, thereby enhancing our competitive edge and profitability.

**Broad service offering across a project's lifecycle**

We are considered to be a "first-in, last-out" service provider in the oil sands because we provide services through the entire lifecycle of an oil sands project. Our work typically begins with the initial consulting services provided during the planning phase, including constructability, engineering reviews and budgeting. This leads into the construction phase during which we provide a full range of services, including clearing, muskeg removal, site preparation, mine infrastructure construction, piling, pipeline and underground utility installation. As the mine moves into production, we support the preparation of the mine by providing ongoing site maintenance and upgrading, equipment and labour supply, overburden removal and land reclamation. Given the long-term nature of oil sands projects, we believe that our broad service offering enables us to establish ongoing relationships with our customers through a continuous supply of services as we transition from one stage of the project to the next.

**Long-term customer relationships**

We have established strong, long-term relationships with major oil sands producers and conventional oil and gas producers. Our largest oil sands customers by revenue are Syncrude, Suncor, Shell Canada and Canadian Natural. We have worked with each of these customers since they began operations in the oil sands. In the case of Syncrude and Suncor, our relationships date back over 30 years. The longevity of our customer relationships reflects our ability to deliver a strong safety and performance record, a well-maintained, highly capable fleet with specific equipment dedicated to individual customers and a staff of well-trained, experienced supervisors, operators and mechanics. In addition, our practice of maintaining offices and maintenance facilities directly on most of our oil sands customers' sites enhances the relationship. Our proximity and close working relationships typically result in advance notice of projects, enabling us to anticipate our customers' needs and align our resources accordingly.

**Operational flexibility**

The combination of our onsite fleets and relationships with multiple oil sands operators makes it possible for us to efficiently transfer equipment and other resources among projects. This keeps us highly responsive to customer needs and is an essential element in securing recurring services business. In this part of the business, lead times are short and the work is usually conducted outside of long-term contracts. The nature of this work acts as a disincentive for potential new competitors who may be unwilling to take on the risk of mobilizing a fleet for a single project or without the benefit of secure contracts. The fact that we work on every major site in the oil sands contributes to our flexibility, enhances the stability of our business model and enables us to continue bidding profitably on new contracts. This has helped us through the recent economic downturn.

**OUR STRATEGY**

Our strategy is to be an integrated service provider for the developers and operators of resource-based industries in a broad and often challenging range of environments. More specifically, our strategy is to:

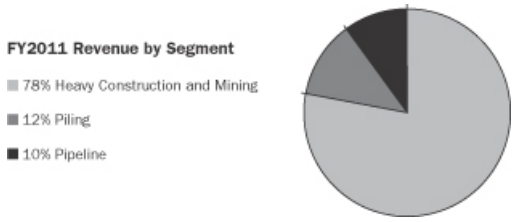
- *Enhance safety culture:* We are committed to elevating the standard of excellence in health, safety and environmental protection with continuous improvement, greater accountability and compliance.
- *Increase our recurring revenue base:* It is our intention to continue expanding our recurring services business to provide a larger base of stable revenue.
- *Leverage our long-term relationships with customers:* We intend to continue building our relationships with existing oil sands customers to win a substantial share of the heavy construction and mining, piling and pipeline services outsourced in connection with their projects.
- *Leverage and expand our complementary services:* Our service segments, Heavy Construction and Mining, Pipeline and Piling are complementary to one another and allow us to compete for many different kinds of business opportunities. We intend to build on our "first-in" position to cross-sell our many services, while also pursuing selective acquisition opportunities that expand our complementary service offerings, increase our recurring revenues and/or reduce the overall capital intensity of the business.

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- *Enhance operating efficiencies to improve revenues and margins:* We aim to increase the availability and efficiency of our equipment through enhanced maintenance, providing the opportunity for improved revenue, margins and profitability.
- *Position for future growth:* We intend to build on our market leadership position-and successful track record with our customers-to benefit from future oil sands development. We intend to use our fleet size and management capability to respond to new opportunities as they arise.
- *Increase our presence outside the oil sands:* We intend to extend our services to other resource industries across Canada. Canada has significant natural resources and we believe that we have the equipment and the expertise to assist with extracting those natural resources.

**OUR OPERATIONS AND SEGMENTS**

Our business is organized into three operating segments: (i) Heavy Construction and Mining, (ii) Piling and (iii) Pipeline. Revenue generated from these three segments for the year ended March 31, 2011 is represented in the chart below:




A complete discussion on segment results can be found in “Segment Annual Results” in the Financial Results section of our MD&A.

**Heavy Construction and Mining**

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

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

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

**Piling**

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

Our Canadian piling operations extend from British Columbia to Ontario and more recently, into the US and abroad. The international operations acquired as part of our November 2010 acquisition of Cyntech Corporation[7] include a small manufacturing facility in Texas and a small but well-established customer base for screw pile and pipeline anchor supply in the US, Malaysia, Indonesia, Thailand and Russia.

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

**Pipeline**

Our Pipeline segment focuses on infrastructure development for oil and gas pipeline systems including gathering and processing, transmission, storage and distribution, complete with related maintenance and other specialty services. Our Pipeline segment is respected in the industry and is known for its ability to execute technically and environmentally challenging projects for Canada's largest energy companies. The Pipeline segment has capacity and resources to handle pipe ranging in size from 2-inch to 60-inches in diameter and operates across numerous remote geographical locations simultaneously.

This segment's volume is currently being driven by high activity related to the Canadian oil sands, and shale gas plays such as the Horn River and Muskwa formations in North East British Columbia; some of the world's largest proven reserves. Further, aging infrastructure demands regular recurring pipeline and related facility maintenance to ensure regulatory and production requirements are sustained. Canada continues to be a strong energy market due to it having a low perceived political risk and a secure, reliable source of energy and the ability to continually attract capital for infrastructure development in the oil & gas pipeline industry.

The table below shows the revenues generated by each operating segment for the years ended March 31, 2011, 2010 and 2009:

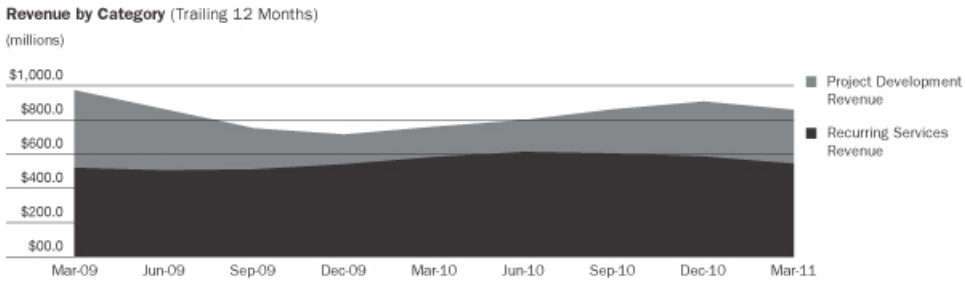
| | Year ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| (dollars in thousands) | 2011 | | 2010 | | 2009 | |
| Heavy Construction & Mining | $667,037 | 77.7% | $665,514 | 87.7% | $716,053 | 73.6% |
| Piling | 105,559 | 12.3 | 68,531 | 9.0 | 155,076 | 16.0 |
| Pipeline | 85,452 | 10.0 | 24,920 | 3.3 | 101,407 | 10.4 |
| **Total** | **858,048** | **100.0%** | **758,965** | **100.0%** | **972,536** | **100.0%** |

**OUR REVENUE SOURCES**

**Revenue by Category**

Historically, we have experienced steady growth in recurring services revenue from operating oil sands projects, although production at some of our customers' operations has recently been negatively impacted by a string of unique events which has negatively affected our recurring services revenue. Going forward, we expect to see a return to growth in recurring services revenue as activity levels increase at existing mines and new oil sands projects move from construction into the operational phase. Project development revenue, by contrast, declined significantly after September 2008, reflecting the impact of economic conditions on large-scale capital projects. However, as economic conditions have strengthened, several major oil sands projects have returned to the active planning and development stages and bidding activity level in the commercial and industrial construction markets and pipeline construction sector are strong.¿

The following graph displays the breakdown of recurring services revenue and project development services revenue for the rolling, trailing 12-month periods at three-month intervals, from March 31, 2009 to March 31, 2011:




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

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

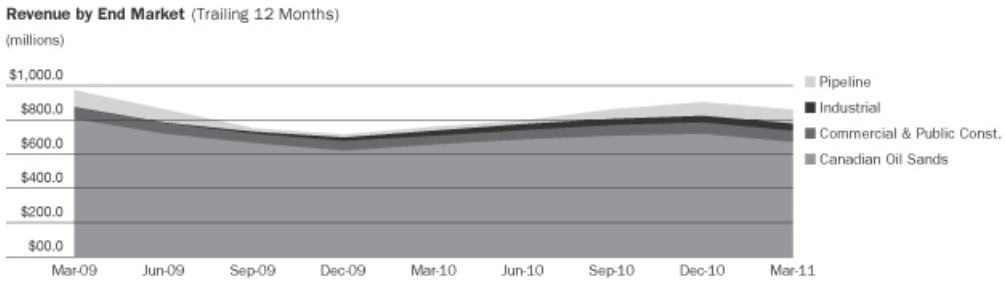
Recurring Services Revenue: Recurring services revenue is derived from long-term contracts and site services contracts as described below:

- *Long-term contracts*. This category of revenue consists of revenue generated from long-term contracts (greater than one year) with total contract values greater than $20.0 million. These contracts are for work that supports the operations of our customers and include long-term contracts for overburden removal and reclamation. Revenue in this category is typically generated under unit-price contracts and is included in our calculation of backlog. This work is generally funded from our customers' operating budgets.
- *Site Services Contracts*. This category of revenue is generated from the master services agreements in place with Syncrude and Shell, specific project contracts such as the truck rental contract with Suncor and ad hoc work on an as-needed basis, such as work being done on a time-and-materials basis to service operations of Canadian Natural. This revenue is typically generated by supporting the operations of our customers and is therefore considered to be recurring. It is primarily generated under time-and-materials contracts and because it is not guaranteed, it is not included in our calculation of backlog. This work is generally funded from our customers' operating or maintenance capital budgets.

**OUR MARKETS**

During the fiscal year ended March 31, 2011, we provided services to four distinct end markets: Canadian oil sands; commercial and public construction, industrial construction and pipeline construction.

The following graph displays the breakdown of revenue by end market for the rolling, trailing 12-month periods at three-month intervals, from March 31, 2009 to March 31, 2011:




**Canadian Oil Sands Market**

Our core market is the Canadian oil sands, where we generated 78% of our fiscal 2011 revenue. According to the Canadian Association of Petroleum Producers (CAPP), the oil sands represent 97% of Canada's recoverable oil reserves. At 170 billion barrels, the Canadian oil sands deposits are second only to those of Saudi Arabia. The oil sands are located primarily in three regions of northern Alberta: Athabasca, Cold Lake and Peace River. In 2010, oil sands production reached 1.5 million barrels per day ("BPD"), representing 52.9% of Canada's total oil production for that same year.

Oil sands are grains of sand covered by a thin layer of water and coated by heavy oil or bitumen. Bitumen, because of its structure, does not flow and therefore requires non-conventional extraction techniques to separate it from the sand and other foreign matter. There are currently two main methods of extraction: (i) open pit mining, where bitumen deposits are sufficiently close to the surface to make it economically viable to recover the bitumen by treating mined sand in a surface plant; and (ii) in situ technology, where bitumen deposits are buried too deep for open pit mining to be cost effective and operators instead inject steam into the deposit, lowering the viscosity of the bitumen so that the bitumen can be separated from the sand and pumped to the surface, leaving the sand in place. Steam Assisted Gravity Drainage (typically known as "SAGD") is a type of in situ technology that uses horizontal drilling to produce bitumen. CAPP estimates that approximately 20% of the oil sands are recoverable through open pit mining. Open pit mining projects tend to have greater production capacity than in situ technology. For example, approximately 52% of 2010 oil sands production was extracted from five active mining projects, while the remaining 48% was extracted from approximately 17 active in situ projects. While the number of active and planned in situ projects far exceeds the number of mining projects, according to CAPP and other industry forecasts, future total production from mining and in situ technology is expected to remain approximately equal.

Although we have provided and intend to continue providing construction services to in situ projects, we currently provide most of our services to customers that access the oil sands through open pit mines. The three-to-four year initial construction and development phase of a new mine or in situ project creates demand for our project development services, such as clearing, site preparation, piling and underground utilities installation. Once the construction phase of an in situ

project is complete, there is little opportunity for us to provide recurring services. In contrast, after the initial construction phase of a mining project is complete, the mine moves into the 30-40 year operational phase and demand shifts from project development services to recurring services such as surface mining, overburden removal, labour and equipment supply, mine infrastructure development and maintenance and land reclamation.¿

Approximately 81% of our oil sands-related revenue for the year ended March 31, 2011 came from the provision of recurring services to existing oil sands projects, with the balance coming from project development services.

Project Development Services: Demand for project development services in the oil sands is primarily driven by new developments and expansions. We support our customers' new development and expansion projects by providing construction services such as clearing, site preparation, piling and underground utilities installation. Between 2000 and 2010, over $113 billion of capital was invested into the oil sands, the core market for our project development services.

Recurring Services: Demand for recurring oil sands services enjoys a high degree of stability due to the immense up-front capital investment associated with oil sands operations and the consequent need to operate at full capacity to achieve low per-unit operating costs. In addition, the harsh climate of northern Alberta makes it difficult for producers to shut down for extended periods of time. The costs and operational risks associated with a production stoppage longer than a single summer season (such as a planned maintenance shutdown) make an extended shutdown economically unviable for oil sands producers.

Growth in demand for our recurring services business is driven by both increased production levels in the oil sands and the inherent need for additional support services through the lifecycle of a mine. Increases in production levels are achieved when new mines enter the production phase and when existing mines eliminate bottlenecks and/or expand their existing operations. In each case, the required output from the extraction process increases, resulting in higher demand for the recurring services we provide, such as overburden removal, equipment and labour supply, mine maintenance and reclamation services.

The requirement for recurring services also typically grows as mines age. Mine operators tend to construct their plants closest to the easy-to-access bitumen deposits (less overburden and/or higher quality bitumen) to maximize profitability and cash-flow at the beginning of their projects. As the mines move through their typical 40+ year life cycle, easy-to-access, high quality bitumen deposits are depleted and operators must go greater distances and move more material to secure the required volume of oil sand to feed the plant at capacity.[8] As a result, the total capacity of digging and hauling equipment must increase, together with an increase in the ancillary equipment and services needed to support these activities. In addition, as the mine extends to new areas of the lease, operators will often relocate mine infrastructure in order to reduce haul distances. This creates demand for mine construction services in the expansion area, as well as reclamation services to remediate the mined-out area. Accordingly, the demand for recurring oil sands services continues to grow even during periods of stable production because the geographical footprints of existing mines continue to expand under normal operation.¿

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

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

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*Current Canadian Oil Sands Business Conditions*

Project Development: As economic conditions have strengthened, several oil sands projects have returned to the active planning and development stages. Suncor and Total[9] are pooling their manpower and capital resources and sharing risk with a strategic alliance to develop Suncor's Fort Hills[10] mine and Voyageur[11] upgrader project and Total's Joslyn[12] mine project. Exxon continues with construction of its Kearl[13] mine as the project moves to the above ground construction and mine development phase of the project and Syncrude is planning a number of major mining projects, including the relocation of four mine trains.

A number of in-situ projects are also proceeding, including Husky Energy's Sunrise[14], ConocoPhillips' Surmont[15], Cenovus Energy's Foster Creek and Christina Lake[16], as well as Devon Canada's[17] Jackfish projects. In addition, Suncor is proceeding with additional stages of its Firebag in situ project. The increase in activity is reflected in CAPP's revised estimate of industry capital spending for oil sands development, which increased to $13 billion for 2010, compared to $11 billion in 2009.

Oil sands operators are also increasing spending on tailings and reclamation projects in response to new environmental regulations. Suncor and Syncrude have announced 2011 capital spending plans that include investments of $670 million and $480 million respectively in tailings management. We expect these investments to create opportunities for our new Tailings and Environmental Construction division to support the construction and operation of the new reclamation processes.¿

Recurring Services: With the commissioning of Canadian Natural's Horizon mine and Shell's Jackpine mine, oil sands mining production capacity has increased and expanded the market for recurring services. While production at our customers' operations has been negatively impacted by a string of unique events, including start-up delays at Horizon, a plant fire at Suncor and most recently, a plant fire at Canadian Natural, overall demand for our recurring services has remained stable over this period. Currently all mines, other than Canadian Natural's Horizon mine, are producing at planned capacity. The Horizon project is expected to recommence oil production in a number of stages, returning to full capacity by the end of 2011 when repairs are completed. However, our overburden removal activities, having continued at full operational capacity for some four and a half months following the fire, have now been shut down and will not be required to recommence work before January 2, 2012.

With three of the four active oil sands mines expected to be operating throughout this year and Exxon's Kearl mine and Canadian Natural's Horizon mine scheduled to be producing in early 2012, the outlook for recurring services demand remains positive.¿

**Commercial and Public Construction Market**

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

*Current Commercial and Public Construction Business Conditions*

Construction activity in Canada has been strengthening as evidenced by the 33% year-over-year increase in the value of industrial building permits and the 11% rise in the value of commercial building permits in 2010 compared to 2009. The recovery is being led by institutional and governmental construction, which according to Statistics Canada, experienced a 10% year-over-year increase in value of building permits issued in calendar 2010, compared to 2009. We also expect to benefit from increased construction spending in the private sector over the coming years as the economy continues to recover.¿

**Industrial Construction Market**

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

9 Total E&P Canada Ltd. (Total), a wholly owned subsidiary of Total SA.
10 Fort Hills LP (Suncor Fort Hills), a limited partnership between Suncor Energy Inc. (40.8%), Total (39.2%) and Tech Resources Ltd. (20%). Suncor is the operator of the oil sands mining operations of Fort Hills.
11 Voyageur Upgrader Project (Suncor Voyageur), a joint venture amongst Suncor (51%) and Total (49%). Suncor is the operator of the project.
12 Joslyn North Mine Project (Total Joslyn), a joint venture amongst Total (38.25%), Suncor (36.75%), Occidental Petroleum Corporation (15%) and Inpex Corporation (10%). Total is the operator oil sands mining and extraction operations of the Joslyn North Mine Project.
13 Exxon Kearl (Exxon Kearl) oil sands mining and extraction project. Imperial Oil Limited holds a 70.96% participating interest in the Kearl oil sands project, a joint venture with Exxon Mobil Canada Properties, a subsidiary of Exxon Mobil Corporation. Imperial Oil Limited, whose majority shareholder is Exxon Mobil Corporation, is the project operator.
14 Husky Energy Inc.'s (Husky Energy) Sunrise Oil Sand project is a 50/50 joint venture with BP Canada Energy Company (BP), a wholly owned subsidiary of BP PLC. The Sunrise project is operated by Husky Energy.
15 ConocoPhillips Canada Resources Corporation's (ConocoPhillips) Surmount Oil Sand in situ project is a 50/50 joint venture between ConocoPhillips Canada, a wholly owned subsidiary of ConocoPhillips Company and Total. ConocoPhillips Canada is the project operator.
16 Cenovus Energy Inc. (Cenovus Energy) is the operator of the Foster Creek and Christina Lake Oil Sands Projects. Both projects are 50/50 joint ventures with ConocoPhillips.
17 Devon Canada Corporation (Devon Canada) is a wholly owned subsidiary of Devon Energy Corporation. Devon Canada is the operator of the Jackfish projects.
¿ This paragraph contains forward-looking information. Please refer to "Forward-Looking Information and Risk Factors" for a discussion of the risks and uncertainties related to such information.

The resource mining industry presents a special interest for us, with Canada being one of the largest mining nations in the world, producing more than 60 different minerals and metals. In particular, Canada is the world's largest producer of potash, accounting for more than one third of the world's potash production and exports. We have recently begun providing services to this sector through our Piling segment. With several potash mine expansions and new developments in the planning stages, we believe this is a growing market for our construction services.

While potash deposits are mainly located in Saskatchewan, minerals such as copper, gold, coal and cobalt are prevalent in British Columbia. There are approximately 24 mine development projects under consideration for permits and environmental approvals in British Columbia and we expect this to create strong demand for mining services. This rising demand outside the oil sands not only creates opportunities for us to compete for this work but also potentially reduces the number of competitors looking for work in the oil sands.¿

The conventional oil and gas industry is another source of industrial construction projects. Currently, we are providing industrial and piling services to CCRL's[18] heavy oil upgrader revamp and expansion project in Regina. Through our recent acquisition of Cyntech, we have also added screw piling, pipeline anchors and tank services capabilities, all of which have expanded our presence in the conventional oil and gas industry. We believe our newly acquired screw piling capabilities will also position us to service Canada's power transmission sector, which is expected to experience significant investment over the next decade.¿

*Current Industrial Construction Business Conditions*

Despite continued economic uncertainty, Canada's resource mining sector performance improved in 2010 as evidenced by a 35% increase in exploration spending compared to 2009. Higher commodity prices, ownership changes and major capital investments contributed to this recovery. Looking forward, resource mining development activity is expected to return to the robust levels that prevailed prior to the economic downturn, with capital investment in exploration and development expected to reach increased levels in 2011.¿

As economic conditions improve, many refinery projects are also returning to the active state. We plan to build on our experience with CCRL to pursue opportunities within the refinery construction market. As outlined above, we are also pursuing opportunities in the power distribution industry as we leverage the new capabilities acquired through the Cyntech acquisition.

**Pipeline Construction Market**

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

According to the Canadian Energy Pipeline Association (CEPA), Canada has over 580,000 kilometers of pipeline, which transports approximately 2.7 million barrels of crude oil and equivalents per day and 15.1 billion cubic feet of natural gas per day to various distribution points in Canada and the US. CAPP reports that a number of pipeline expansions were completed and started operating in 2010, extending Canadian capacity by 885,000 barrels per day. An additional 855,000 barrels per day of pipeline capacity has been approved and could go into service over the next few years.¿

*Current Pipeline Construction Business Conditions*

While depressed economic conditions created a highly competitive market environment in fiscal 2010 and 2011, conditions are expected to improve following the announcement of various new pipeline projects in Western Canada. These new projects are designed to address expected increases in oil and gas production in the region. Toward the end of fiscal 2011, we began to see a sharp increase in bidding activity. In addition, the need for maintenance of existing pipelines has come under greater scrutiny in the last 12 months, following a number of significant incidents where pipeline leaks have cause damage to the environment. Accordingly, we anticipate increasing near-term demand for small and large pipeline projects and expansions and for large maintenance contracts, all of which should in turn, support improved pricing and reduced risk on new contracts.¿

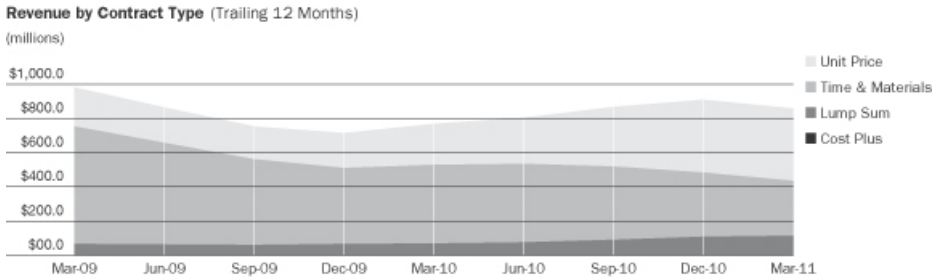
¿ This paragraph contains forward-looking information. Please refer to "Forward-Looking Information and Risk Factors" for a discussion of the risks and uncertainties related to such information.

18 Consumers Co-operative Refinery Limited is a wholly owned subsidiary of Federated Co-operatives Limited.

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**OUR CONTRACT TYPES**

We complete work under the following types of contracts: cost-plus, time-and-materials, unit-price and lump-sum. Each type of contract contains a different level of risk. The following table demonstrates our revenue by contract type:




*Time-and-materials*. A time-and-materials contract involves using the components of a cost-plus job to calculate rates for the supply of labour and equipment. In this regard, all components of the rates are fixed and we are compensated for each hour of labour and for the equipment supplied. The risk associated with this type of contract is the estimation of the rates and incurrence of expenses in excess of a specific component of the agreed-upon rate. Any cost overrun in this type of contract must come out of the fixed margin included in the rates.

*Unit-price*. A unit-price contract is utilized in the execution of projects with large repetitive quantities of work and is commonly used for site preparation, mining and pipeline work. We are compensated for each unit of work we perform (for example, cubic meters of earth moved, lineal meters of pipe installed or completed piles). Within the unit-price contract, there is an allowance for labour, equipment, materials and subcontractors' costs. Once these costs are calculated, we add any site and corporate overhead costs along with an allowance for the margin we want to achieve. The risk associated with this type of contract is in the calculation of the unit costs with respect to completing the required work.

*Lump-sum*. A lump-sum contract is utilized when a detailed scope of work is known for a specific project. Thus, the associated costs can be readily calculated and a firm price provided to the customer for the execution of the work. The risk lies in the fact that there is no escalation of the price if the work takes longer**,** if costs increase or if more resources are required than was estimated in the established price, as the price is fixed regardless of the cost or amount of work required to complete the project.

*Cost-plus*. A cost-plus contract is a contract in which all the work is completed based on actual costs incurred to complete the work. These costs include all labour, equipment, materials and any subcontractors' costs. In addition to these direct costs, all site and corporate overhead costs are charged to the job. An agreed-upon fee that represents a profit in the form of a fixed percentage is then applied to all costs charged to the project. This type of contract is utilized where the project involves a large amount of risk or the scope of the project cannot be readily determined.

In addition to the types of contracts listed above, we also use master services agreements (MSA) for work in the oil sands to support the operations of our customers. The MSA specifies the rates that will be charged for the supply of labour and equipment, but does not specify scope or schedule of work. This revenue is primarily generated under time-and-materials contracts and is generally funded from our customers' operating or maintenance capital budgets.

We also do a substantial amount of work as a subcontractor to other general contractors. Subcontracts vary in type and in conditions, with respect to the pricing and terms, and are governed by one master contract that governs a large project generally. In such cases, the contract with the subcontractors contains more specific provisions regarding a specified aspect of a project than the provisions provided in the master contract.

## PROJECTS

### ACTIVE PROJECTS

**Canadian Natural[19]: Overburden Removal Project**

Canadian Natural completed construction of its Horizon Oil Sands Project and achieved first oil production in early 2009. This oil sands mining project has a targeted production capacity of 110,000 BPD from Phase 1. Canadian Natural has plans to ultimately increase total production capacity to 500,000 BPD through future expansions. Phases 2 and 3 of the mine expansion plan are currently in the planning stages.

We have been working at the Horizon mine since 2005 when we secured a contract with Canadian Natural to remove approximately 400 million bank cubic meters ("BCM") of overburden and use 300 million BCM of that material to build a tailings dyke at the site. This is a unit-price contract worth approximately $1.3 billion over the 10-year life of the contract.

We also perform time and materials work for Canadian Natural for their mine operations and projects groups.

As announced in our press release, issued on May 18, 2011, we applied a writedown to the long-term overburden removal contract between our subsidiary, North American Construction Group Inc. (NACG) and Canadian Natural, for the Horizon Oil Sands mine near Fort McMurray, Alberta. **This isolated issue is not expected to negatively impact any of our other operations and despite the writedown on this contract our current financial position is not materially affected.** For further information refer to the Explanatory Notes—Significant Business Event in our MD&A.¿

On May 18, 2011 we were notified by Canadian Natural that we were to suspend overburden removal activities at their Horizon mine while Canadian Natural undertakes repairs to its primary upgrading facility, which was damaged in a fire in January 2011. The suspension of work notice is effective until January 2, 2012.

**Canadian Natural: MSE Wall**

In November 2010, we completed the major construction of a 4000m2 MSE wall at the facility at Canadian Natural's Ore Processing Plant mine including piling and foundations work. Ancillary support work continues with completion anticipated in June 2011.¿

**Shell Muskeg River and Jackpine Mines**

Shell's operations at the Athabasca Oil Sands Project include the Muskeg River Mine, which has a target production capacity of 155,000 BPD and the Jackpine Mine, which has a target production capacity of 100,000 BPD. Future planned mining expansions, while not imminent, are expected to ultimately increase total production capacity to 500,000 BPD.¿

In June 2009, we signed a three-year earthmoving and mine support services agreement with Shell. The contract covers the provision of recurring services including construction, earthmoving and mine support and replaced an expiring two-year master services agreement (MSA). Work under the agreement covers general master services work and includes three years of defined scope and volumes for pre-strip and base-of-feed cleanup mining at the Muskeg River Mine. This type of work is typically performed under a time-and-materials arrangement and is not reflected in our reported backlog.

In December 2010, we signed an additional three-year agreement to provide muskeg removal services at Shell's Jackpine Mine. This is a time-and-materials contract and is in addition to the agreement mentioned above.

**Suncor**

Suncor's current mining operation includes the Steepbank and Millennium mines, which have a combined production capacity in excess of 300,000 BPD. An additional 120,000 BPD of production capacity is anticipated from the planned development of the Voyageur South mine. Following the merger with Petro-Canada and a strategic alliance with Total, Suncor's minable assets have expanded to include a 40.8% interest in the Fort Hills oil sands project and a 36.75% interest in the Total-operated Joslyn North Mine Project.

Our contract to supply mining equipment to Suncor has recently been extended to the end of December 2011. We also supply services under time and materials and unit rate pricing arrangements without an MSA.

We are in negotiations to secure a 5 year contract to provide reclamation, civil construction and mine services at Suncor's Millennium and Steepbank oil sands mine operations with volumes and rates to be renegotiated after 2.5 years to reflect changing market conditions.¿

**Syncrude**

Syncrude's current mining operations include Base Mine (Mildred Lake) and Aurora Mine, which have a current combined production capacity of approximately 350,000 BPD. Further planned expansions include the development of a new mine (Aurora South), which is expected to increase total production capacity to 600,000 BPD by 2020.¿

[19] Canadian Natural Resources Limited (Canadian Natural).

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

In November 2010, Imperial Oil Ltd. awarded us a new four-year master services agreement, which enables us to execute various types of projects for this customer. Construction work authorizations are issued for each piece of work under both time-and-materials and unit-price arrangements and are generally not reflected in our reported backlog.

**Consumer's Co-operative Refinery Limited: Tank Farm Project**

In July 2009 we were awarded the CCRL heavy oil upgrader revamp and expansion project in Regina, Saskatchewan. Work continues on this site as we complete tank farm earthworks construction, associated piping and pipelines and other heavy civil works as required by the client under an open services agreement. Our Piling team is also installing piling foundations inside the operating facility and outside of the plant limits in the new expansion areas.

### RECENTLY COMPLETED PROJECTS

**Exxon's Kearl: MSE Wall**

The first of three phases is being constructed for the Kearl project. The targeted production capacity for the entire project will be 345,000 BPD. Phase 1 expects to achieve 100,000 BPD with first oil production by August, 2012.¿

In December 2010, we completed a unit-price contract to construct an MSE wall and associated truck dump pad and to complete grading at the base of the wall.

**Syncrude: MSE Wall**

In September 2010, we completed the construction of a 440 meter long MSE wall including shear key, backfill and construction of the wall. Syncrude is currently planning two mine train moves in the next 3-4 years, each requiring two large MSE walls for a total of four MSE walls to be constructed which we expect to bid on.¿

**Syncrude: Reclamation**

Between November 2010 and March 2011, we completed a winter reclamation project moving 5.1 million BCM of reclamation material at Syncrude's Base Mine. 2.1 million BCM was direct-placed resulting in 156 hectares of reclaimed land for Syncrude.

**Suncor: Reclamation**

Between December 2010 and March 2011, we completed a winter reclamation project, moving 4 million BCM of material in Suncor's Millenium Mine.

**Spectra Energy[20]: Maxhamish Loop—South**

In December 2010 we completed a 30 kilometre, 24-inch diameter natural gas pipeline installation project in the Fort Nelson area of British Columbia for Spectra Energy. The looping project is designed to support the upcoming Horn River area development commitments. This project carried on from where last winter's North Maxhamish project ended.

**Transcanada Pipelines[21]: Groundbirch Mainline Project**

In November 2010 we completed a four month contract to build 77 kilometres of 36-inch diameter pipeline. This was our first automated welding project.

**Joint Venture**

The participants in the Noramac Joint Venture entered into a Mutual Termination of Joint Venture Agreement under which the joint venture was terminated effective March 25, 2011. The business of the joint venture is currently in the process of being wound-up under the terms of that Agreement.

## RESOURCES AND KEY TRENDS

### OUR FLEET AND EQUIPMENT

We operate and maintain a heavy equipment fleet, including crawlers, graders, loaders, mining trucks, compactors, scrapers and excavators. We also maintain a fleet of ancillary vehicles including various service and maintenance vehicles. Overall, the equipment is in good condition, subject to normal wear and tear. Our credit facility is secured by liens on substantially all of our equipment. We lease some of this equipment under lease terms that include purchase options.

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

20 Spectra Energy Partners, LP (Spectra Energy).

21 TransCanada Pipelines Limited (TransCanada Pipelines), a wholly owned subsidiary of TransCanada Corporation.

The following table sets forth our owned and leased heavy equipment fleet (does not include rental equipment) as at March 31, 2011:

| Category | Capacity Range | Horsepower Range | Number in Fleet | Number Leased |
|---|---|---|---|---|
| **Heavy Construction and Mining:** | | | | |
| Articulating trucks | 30 to 40 tons | 305 - 406 | 20 | 0 |
| Mining trucks | 40 to 330 tons | 476 - 2,700 | 177 | 73 |
| Shovels | 35-80 cubic yards | 2,600 - 3,760 | 8 | 6 |
| Excavators | 1 to 29 cubic yards | 90 - 1,944 | 102 | 25 |
| Dozers | 20,741 lbs to 230,100 lbs | 96 - 850 | 124 | 56 |
| Graders | 14 to 24 feet | 150 - 500 | 29 | 10 |
| Loaders | 1.5 to 16 cubic yards | 110 - 690 | 85 | 0 |
| Packers | 14,175 to 68,796 lbs | 216 - 315 | 7 | 0 |
| Articulating Water Trucks | 8,000 gallon | 406 | 3 | 0 |
| Scraper Water Wagons | 10,000 gallon | 462 | 2 | 0 |
| Float Trucks | 250 tons | 703 | 5 | 0 |
| Heavy Oil Recovery Barge Heavy Oil Recovery Barge | 30,000 US gal per hour | 125 | 1 | 0 |
| Tractors | 43,000 lbs | 460 | 2 | 0 |
| **Pipeline:** | | | | |
| Trenchers | 60,000 lbs | 165 | 1 | 0 |
| Pipe layers | 20,000 to 202,000 lbs | 78 - 265 | 39 | 0 |
| **Piling:** | | | | |
| Drill rigs | Up to 267 feet (drill depth) | 210 - 1,500 | 53 | 4 |
| Cranes | 25 to 150 tons | 200 - 263 | 25 | 0 |
| **Total** | | | **687** | **174** |

For the fiscal years ended March 31, 2011, 2010 and 2009, we incurred expenses of $234.9 million, $209.4 million and $217.1 million, respectively, to maintain our equipment.

Many of our heavy equipment units are among the largest pieces of equipment in the world and are designed for use in the largest earthmoving and mining applications globally. Our large, diverse fleet gives us flexibility in scheduling jobs and we believe that this allows us to be responsive to our customers' needs. A well maintained fleet is critical in the harsh climate and environmental conditions in which we operate. We operate four significant maintenance and repair centers on the sites of the major oil sands projects, which are capable of accommodating the largest pieces of equipment in our fleet. These factors help us to be more efficient, thereby reducing costs to our customers to further improve our competitive position, while concurrently increasing our equipment utilization and thereby improving our profitability.

### CAPITAL EXPENDITURES

The following table sets out capital expenditures for long-lived assets for our main operating segments for the periods indicated, excluding new capital leases:

| | Year Ended March 31, | | |
|---|---|---|---|
| (dollars in thousands) | 2011 | 2010 | 2009 |
| Heavy Construction & Mining | $29,577 | $40,431 | $76,354 |
| Piling | 2,560 | 1,081 | 8,679 |
| Pipeline | 1,124 | 948 | 75 |
| Other | 7,904 | 12,790 | 5,096 |
| Total | $41,165 | $55,250 | $90,204 |

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**FACILITIES**

We own and lease a number of buildings and properties for use in our business, the locations of which were chosen for their geographic proximity to our major customers. Our corporate offices are located in Calgary, Alberta. Our primary administrative functions are carried out from offices in Edmonton, Alberta and Acheson, Alberta, where we also have a major equipment maintenance facility. Additional project management and equipment maintenance functions are carried out from leased and owned regional facilities in Calgary and Fort McMurray, Alberta; New Westminster, British Columbia; Regina and Martensville, Saskatchewan; and Milton, Ontario. The operations of our U.S. subsidiary, Cyntech U.S. Inc., are carried out from leased premises in Plantersville, Texas. We also occupy, without charge, some customer-provided lands. The following table describes our primary facilities:

| Location | Function | Owned or Leased | Lease Expiration Date |
|---|---|---|---|
| Acheson, Alberta | Administrative office and major equipment repair facility | Leased | 11/30/2012 |
| Calgary, Alberta (Corporate Office) | Corporate head office | Leased | 1/29/2012 |
| Calgary, Alberta (Piling Office) | Regional office for piling operations and major equipment repair facility | Leased | 09/30/2020 |
| Calgary, Alberta (Cyntech Office) | Regional office for piling operations | Leased | 10/31/2013 |
| Edmonton, Alberta (Mayfield) | Administrative office and regional office for piling operations | Leased | 3/31/2017 |
| Fort McMurray, Alberta (Timberlea) | Regional office for mining operations | Leased | 2/28/2022 |
| Fort McMurray, Alberta (CNRL site) | Site office and maintenance facility | Building owned Land provided | Term of CNRL contract |
| Fort McMurray, Alberta (Shell Canada Muskeg River Mine site) | Site office and maintenance facility | Building leased Land provided | Term of Shell Canada contract |
| Fort McMurray, Alberta (Syncrude Ruth Lake site) | Regional office and maintenance facility for all operations | Building owned Land provided | 8/31/2021 Currently finalizing extension |
| New Westminster, BC (Premises) | Regional office and equipment repair facility for piling operations | Leased | 12/31/2014 |
| New Westminster, BC (Water Rights) | Water rights adjacent to piling office premises | Leased | 3/31/2015 |
| Martensville, Saskatchewan | Regional office and equipment repair facility for piling operations | Leased | 4/30/2012 |
| Regina, Saskatchewan | Regional office and equipment repair facility for piling operations | Leased | 3/14/2013 |
| Milton, Ontario (Drillco) | Regional office and equipment repair facility for piling operations | Owned | N/A |
| Plantersville, Texas | Offices of Cyntech U.S. Inc. | Leased | 10/31/2013 |

**COMPETITION**

The majority of our new business is secured through formal bidding processes in which we are required to compete against other suppliers. Factors that impact success on competitive bids include price, safety, reliability, scale of operations, equipment and labour availability and quality of service. Our industry is highly competitive in each of our markets and competition on project bids increased noticeably during the year ended March 31, 2011 as a result of continued weaker

economic conditions. As a result of several oil sands competitors experiencing financial difficulty, we have seen a change in our competitive environment with several competitors being acquired over the past two years. This included smaller competitors such as Cross-Terra Construction and Atcon Group, as well as a larger competitor, Cow Harbour Construction Ltd. which had been operating under creditor protection until being acquired by Aecon Group Inc. in August, 2010. Our principal competitors in the Heavy Construction and Mining segment include Klemke Mining Corporation, Aecon Group Inc., Graham Construction Ltd, Ledcor Construction Limited, Peter Kiewit and Sons Co., Tercon Contractors Ltd., Sureway Construction Ltd. and Thompson Bros. (Construction) Ltd. In underground utilities installation (a part of our Heavy Construction and Mining segment), Voice Construction Ltd., Ledcor Construction Limited and I.G.L. Industrial Services are our major competitors.

The main competition to our deep foundation piling operations in Western Canada comes from Agra Foundations Limited, Double Star Drilling and Pacer Industries, and in Eastern Canada our main competitors include Deep Foundations, Anchor Shoring and Bermingham Construction. In the public sector, we compete against national firms, as well as local competitors within individual geographic markets. Most of our public sector customers are local governments that are focused on serving only their regions. Competition in the public sector continues to increase and we typically choose to compete on projects only where we can utilize our equipment and operating strengths to secure profitable business.

The primary competitors in the pipeline installation business include Ledcor Construction Limited, Washcuk Pipe Line Construction Ltd., O.J. Pipelines Canada and Willbros Group Inc.

**MAJOR SUPPLIERS**

We have long-term relationships with the following equipment suppliers: Finning International Inc. (over 45 years), Wajax Income Fund (over 20 years) Brandt Tractor Ltd. (over 30 years), and SMS Equipment (over 5 years). Finning is a major Caterpillar heavy equipment dealer for Canada. Wajax is a major Hitachi equipment supplier to us for both mining and construction equipment. We purchase or rent John Deere equipment, including excavators, loaders and small bulldozers, from Brandt Tractor. SMS Equipment is a major Komatsu equipment supplier for our large mining trucks. In addition to the supply of new equipment, each of these companies is a major supplier for equipment rentals, parts and service labour. We are also actively working with these suppliers to identify cost savings opportunities such as reducing our rental fleet and focusing on parts management.

Tire supply has been a challenge for our haul truck fleet over the past few years because we have not had a long term contract with major tire suppliers. In the past three years supply contracts with Bridgestone and Fountain Tire plus an allocation from Michelin through Kal Tire have helped us to maintain tire inventories to keep our fleet fully operational. We have also relied on third party tire brokers in the United States for a large portion of our tires which can be at greatly inflated prices. Tire usage forecasting by our tire group for giant heavy haul tires or off the road (OTR) tires has provided information and identified predicted shortages on 63, 57 and 51 inch tires and this has enabled us to acquire tires from third parties when they become available to supplement current supplies from Bridgestone and Michelin. As a result of a shortage of raw materials caused by poor climatic conditions and increased world wide tire demand, specifically in China, tire supply is expected to tighten worldwide in the coming year. We expect to continue supplementing our tire allocation from Bridgestone and Michelin with supply from third party brokers.¿

**VARIABILITY OF RESULTS**

A number of factors have the potential to contribute to variations in our quarterly financial results between periods, including the capital project-based nature of our project development revenue, seasonal weather and ground conditions, capital spending decisions by our customers on large oil sands projects, the timing of equipment maintenance and repairs, claims and change-orders and the accounting for unrealized non-cash gains and losses related to foreign exchange and derivative financial instruments.

We generally experience a decline in revenues during the first three months of each fiscal year due to seasonality, as weather conditions make performance in our operating regions difficult during this period. The level of activity in the Heavy Construction and Mining and Pipeline segments declines when frost leaves the ground and many secondary roads are rendered temporarily incapable of supporting the weight of heavy equipment. The duration of this period, which can vary considerably from year to year, is referred to as “spring breakup” and it has a direct impact on our activity levels. Revenues during the three months ended March 31 of each fiscal year are typically highest as ground conditions are most favourable in our operating regions. As a result, full-year results are not likely to be a direct multiple or combination of a quarter or quarters. In addition to revenue variability, gross margins can be negatively impacted in less active periods because we are likely to incur higher maintenance and repair costs due to our equipment being available for servicing.

The timing of large projects can influence quarterly revenues. For example, in the past two fiscal years, Pipeline segment revenues were as low as $0.1 million in the three months ended June 30, 2009 and as high as $42.2 million for the three months ended December 31, 2010. The Heavy Construction and Mining segment experienced reduced volumes in the three months ended March 31, 2009 as a result of the temporary shut-down of overburden removal at the Horizon project while Canadian Natural prepared for operations start-up. Subsequent periods reflect the ramp up of overburden removal activities

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at the Horizon project through the three months ended December, 2010, where activity returned to planned activity levels. The project write-down for this contract negatively affected results for the three months ended March 31, 2011. Changes in demand under our master services agreements with Shell positively affected fiscal 2010 results with increased demand for mine services during the commissioning of Shell's Jackpine mine. Activity subsequently declined in fiscal 2011 as Shell commissioned the Jackpine mine and concurrently undertook related integration activities at the Muskeg River mine

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

Profitability also varies from quarter-to-quarter as a result of claims and change-orders. Claims and change-orders are a normal aspect of the contracting business but can cause variability in profit margin due to the unmatched recognition of costs and revenues. For further explanation, see "Claims and Change-orders" in our MD&A.

We have also experienced net income variability in all periods up to the three months ended June 30, 2010, due to the recognition of unrealized non-cash gains and losses on both derivative financial instruments and our previously held US dollar denominated 8 3/4% senior notes, primarily driven by changes in the Canadian/US dollar exchange rate. The 8 3/4% senior notes were redeemed on April 28, 2010 and the associated currency and interest rate swaps were terminated on April 8, 2010.

## LEGAL AND LABOUR MATTERS

### LAWS, REGULATIONS AND ENVIRONMENTAL MATTERS

Many aspects of our operations are subject to various federal, provincial and local laws and regulations, including, among others:

- permit and licensing requirements applicable to contractors in their respective trades;
- building and similar codes and zoning ordinances;
- laws and regulations relating to consumer protection; and
- laws and regulations relating to worker safety and protection of human health.

We believe that we have all material required permits and licenses to conduct our operations and are in substantial compliance with applicable regulatory requirements relating to our operations. Our failure to comply with the applicable regulations could result in substantial fines or revocation of our operating permits.

Our operations are subject to numerous federal, provincial and municipal environmental laws and regulations, including those governing the release of substances, the remediation of contaminated soil and groundwater, vehicle emissions and air and water emissions. These laws and regulations are administered by federal, provincial and municipal authorities, such as Alberta Environment, Saskatchewan Environment, the British Columbia Ministry of Environment, Ontario Ministry of the Environment and other governmental agencies. The requirements of these laws and regulations are becoming increasingly complex and stringent and meeting these requirements can be expensive.

The nature of our operations and our ownership or operation of property exposes us to the risk of claims with respect to environmental matters and there can be no assurance that material costs or liabilities will not be incurred in relation to such claims. For example, some laws can impose strict joint and several liability on past and present owners or operators of facilities at, from or to which a release of hazardous substances has occurred, on parties who generated hazardous substances that were released at such facilities and on parties who arranged for the transportation of hazardous substances to such facilities. If we were found to be a responsible party under these statutes, we could be held liable for all investigative and remedial costs associated with addressing such contamination, even though the releases were caused by a prior owner or operator or third party. We are not currently named as a responsible party for any environmental liabilities on any of the properties on which we currently perform or have performed services. However, our real property leases typically include covenants which obligate us to comply with all applicable environmental regulations and to remediate any environmental damage caused by us to the leased premises. In addition, claims alleging personal injury or property damage may be brought against us if we cause the release of or any exposure to, harmful substances.

Our construction contracts require us to comply with all environmental and safety standards set by our customers. These requirements cover such areas as safety training for new hires, equipment use on site, visitor access on site and procedures for dealing with hazardous substances.

Capital expenditures relating to environmental matters during the fiscal years ended March 31, 2009, 2010 and 2011 were not material. We do not currently anticipate any material adverse effect on our business or financial position as a result of future compliance with applicable environmental laws and regulations. Future events, however, such as changes in existing laws and regulations or their interpretation, more vigorous enforcement policies of regulatory agencies or stricter or different interpretations of existing laws and regulations may require us to make additional expenditures which may be material. ¿

### EMPLOYEES AND LABOUR RELATIONS

As of March 31, 2011, we had approximately 533 salaried employees and approximately 2,279 hourly employees. The growth in our salaried employee work force can be primarily attributed to our conversion of hourly site supervision staff to salaried employees during the fiscal year. Our hourly workforce fluctuates according to the seasonality of our business and the staging and timing of projects by our customers. The hourly workforce typically ranges in size from 1,000 employees to approximately 3,000 employees depending on the time of year and duration of awarded projects. We also utilize the services of subcontractors in our construction business. An estimated 8% to 10% of the construction work we do is performed by subcontractors. Approximately 2,000 employees are members of various unions and work under collective bargaining agreements. The majority of our work is done through employees governed by our mining overburden collective bargaining agreement with the International Union of Operating Engineers Local 955, the primary term of which expires on March 31, 2015. Other collective agreements in operation include the provincial Industrial, Commercial and Institutional (ICI) agreements in Alberta and Ontario with both the Operating Engineers and Labourers Unions, Piling sector collective agreements in Saskatchewan with the Operating Engineers, Pipeline sector agreements in both British Columbia and Alberta with the Christian Labour Association of Canada (CLAC) as well as an all-sector agreement with CLAC in Ontario. We are subject to other industry and specialty collective agreements under which we complete work and the primary terms of all of these agreements are currently in effect. The provincial collective agreement between the International Union of Operating Engineers (IUOE) Local 955 and the Alberta Roadbuilders and Heavy Construction Association (ARBHCA) expired February 28, 2011 and the Association is currently amidst negotiations with the Operating Engineers for the renewal of this Agreement. NACG has a representative on the ARBHCA bargaining committee. Management expects that a settlement will be reached without disruption. We believe that our relationships with all our employees, both union and non-union, are strong. We have not experienced a strike or lockout.¿

## DESCRIPTION OF SHARE CAPITAL

### SHARES

#### General

Our articles of amalgamation authorize us to issue an unlimited number of voting common shares and an unlimited number of non-voting common shares. As of June 2, 2011, we had 36,249,086 common shares outstanding (36,242,526 outstanding as at March 31, 2011).

Some of the statements contained herein are summaries of the material provisions of our articles of amalgamation relating to dividends, distribution of assets upon dissolution, liquidation or windingup and are qualified in their entirety by reference to our articles of amalgamation which can be found on www.sedar.com.

#### Voting Common Shares

Each voting common share has an equal and ratable right to receive dividends to be paid from our assets legally available therefore when, as and if declared by our board of directors.

In the event of our dissolution, liquidation or winding up, the holders of common shares are entitled to share equally and ratably in the assets available for distribution after payments are made to our creditors. Holders of common shares have no pre-emptive rights or other rights to subscribe for our securities. Each common share entitles the holder thereof to one vote in the election of directors and all other matters submitted to a vote of shareholders, and holders of common shares have no rights to cumulate their votes in the election of directors.

#### Non-Voting Common Shares

Regulatory requirements applicable to affiliates of one of our shareholders limited-the amount of our voting shares it may own. Therefore, in addition to our voting common shares that it owns, it also owned all of our non-voting common shares, which it acquired on November 26, 2003. Except as prescribed by Canadian law and except in limited circumstances, the non-voting common shares have no voting rights but are otherwise identical to the voting common shares in all respects. The non-voting common shares are convertible into voting common shares on a share-for-share basis at the option of the holder if it transfers, sells or otherwise disposes of the converted voting common shares: (i) in a public offering of our voting common shares; (ii) to a third party that, prior to such sale, controls us; (iii) to a third party that, after such sale, is a beneficial owner of not more than 2% of our outstanding voting shares; (iv) in a transaction that complies with Rule 144 under the Securities Act of 1933, as amended; or (v) in a transaction approved in advance by regulatory bodies.

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

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On July 27, 2007, the holder of the Company's non-voting common shares exchanged its non-voting common shares for voting common shares. Each holder-of the non-voting common shares received one voting common share for each non-voting share held on the exchange date.

**Trading Price and Volume**

The following tables summarize the highest trading price, lowest trading price and volume for our common shares on the Toronto Stock Exchange (in Canadian dollars) and on the New York Stock Exchange (in US dollars) on a monthly basis from April 1, 2010 to May 31, 2011:

| Toronto Stock Exchange | | | |
|---|---|---|---|
| Date | High ($s) | Low ($s) | Volume |
| May 2011 | 11.06 | 6.89 | 752,857 |
| April 2011 | 12.05 | 9.89 | 231,050 |
| March 2011 | 13.80 | 11.13 | 341,453 |
| February 2011 | 13.42 | 10.89 | 220,146 |
| January 2011 | 12.50 | 10.91 | 259,183 |
| December 2010 | 12.55 | 9.28 | 347,778 |
| November 2010 | 9.99 | 8.68 | 219,458 |
| October 2010 | 9.50 | 7.88 | 108,979 |
| September 2010 | 9.25 | 8.30 | 168,109 |
| August 2010 | 10.21 | 8.81 | 131,863 |
| July 2010 | 10.43 | 8.65 | 273,997 |
| June 2010 | 11.33 | 9.00 | 162,102 |
| May 2010 | 11.35 | 8.80 | 233,382 |
| April 2010 | 11.76 | 9.68 | 429,557 |

| New York Stock Exchange | | | |
|---|---|---|---|
| Date | High [US $] | Low [US $] | Volume |
| May 2011 | 11.64 | 7.15 | 12,381,080 |
| April 2011 | 12.51 | 10.25 | 5,536,502 |
| March 2011 | 14.23 | 11.24 | 4,885,663 |
| February 2011 | 13.74 | 11.00 | 6,129,220 |
| January 2011 | 12.67 | 10.97 | 5,408,772 |
| December 2010 | 12.58 | 9.27 | 7,221,477 |
| November 2010 | 9.86 | 8.52 | 4,543,771 |
| October 2010 | 9.30 | 7.76 | 3,326,992 |
| September 2010 | 8.96 | 8.05 | 3,020,602 |
| August 2010 | 10.16 | 8.27 | 2,822,510 |
| July 2010 | 10.17 | 8.20 | 3,668,265 |
| June 2010 | 11.00 | 8.49 | 5,044,362 |
| May 2010 | 11.44 | 8.15 | 4,777,909 |
| April 2010 | 11.68 | 9.51 | 4,191,250 |

**DIVIDENDS**

We have not declared or paid any dividends on our common shares since our inception, and we do not anticipate declaring or paying any dividends on our common shares for the foreseeable future. We currently intend to retain any future earnings to finance future growth. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements and other factors the board of directors considers relevant. In addition, our ability to declare and pay dividends is restricted by our governing statute, as well as the terms of our credit agreement and the indenture that governs our Series 1 Debentures (as defined herein).

## DESCRIPTION OF CERTAIN INDEBTEDNESS

### DEBT RESTRUCTURING

In April 2010, we issued $225.0 million of Series 1 Debentures and entered into a fourth amended and restated credit agreement that extended the maturity of our credit facilities to April 2013 and provided a new $50.0 million term loan. The net proceeds of the Series 1 Debentures, combined with the new $50.0 million term loan and cash on hand were used to redeem all outstanding 8 3/4% senior notes and terminate the associated swap agreements in April 2010. The full details of this debt restructuring are as follows:

#### 9.125% Series 1 Debentures

On April 7, 2010, we closed a private placement of 9.125% Series 1 Debentures due 2017 (the "Series 1 Debentures") for gross proceeds of $225.0 million and net proceeds after commissions and related expenses of $218.1 million. A more detailed discussion on the Series 1 Debentures can be found under "*9.125% Series 1 Debentures*" in the "Liquidity and Capital Resources" section of our MD&A.

#### 8 3/4% Senior Notes Redemption

Beginning December 1, 2009, our 8 3/4% senior notes were redeemable at 100% of the principal amount. On March 29, 2010, we issued a redemption notice to holders of the notes to redeem all outstanding 8 3/4% senior notes and, on April 28, 2010, the notes were redeemed and cancelled. The redemption amount included the US$200.0 million principal outstanding and US$7.1 million of accrued interest.

In connection with the redemption of our 8 3/4% senior notes, we wrote off unamortized deferred financing costs of $4.3 million.

#### Termination of Cross-Currency and Interest Rate Swaps

On April 8, 2010, we terminated the cross-currency and interest rate swaps associated with the 8 3/4% senior notes. The payment to the counterparties required to terminate the swaps was $91.1 million and represented the fair value of the swap agreements, including accrued interest.

#### $50.0 million Term Facility

On April 30, 2010, we entered into a fourth amended and restated credit agreement to extend the term of the credit agreement and also to add additional borrowings of up to $50.0 million through a second term facility within the credit agreement. At April 30, 2010, the second term facility was fully drawn at $50.0 million. The new term facility, along with the existing term facility, matures on April 30, 2013. A more detailed discussion on the April 30, 2010 fourth amended and restated credit agreement can be found under "*Credit* Facilities" in the next section.

### CREDIT FACILITIES

On April 30, 2010, we entered into a fourth amended and restated credit agreement to extend the term of the credit facilities and increase the amount of the term loans. The new credit facilities provide for total borrowings of up to $163.4 million (previously $125.0 million) under which revolving loans, term loans and letters of credit may be issued. The Revolving Facility of $85.0 million (previously $90.0 million) was undrawn at closing. The new agreement includes two term facilities providing for borrowings of up to $78.4 million. At April 30, 2010, the Term A Facility and Term B Facility, as defined in the credit agreement (the Term Facilities), were both fully drawn at $28.4 million and $50.0 million, respectively. The new Term Facilities mature on April 30, 2013.

Advances under the Revolving Facility may be repaid from time to time at our 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, we must make annual payments within 120 days of the end of our 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. Based on the calculation of Consolidated Excess Cash Flow at March 31, 2011, we will not be required to make an additional principal payment in fiscal year 2012.

The facilities bear interest at variable rates based on the Canadian prime rate plus the applicable pricing margin (as defined within 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 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 US dollar LIBOR loans is paid during each interest period at a rate per annum, calculated on a 360-day year, equal to the US dollar LIBOR rate with respect to such interest period plus the applicable pricing margin. Stamping Fees (as defined in the credit agreement) and interest on advances of Bankers' Acceptances (as defined in the credit agreement) are paid in advance, at the time of issuance.

The applicable pricing margin (as defined within the credit agreement) is connected to our credit rating from Standard & Poor's. If our credit rating were to be downgraded by this rating agency, we would receive a 1% increase in our applicable pricing margin (as defined within the credit agreement).

The new credit facilities are secured by a first priority lien on substantially all of our existing and after-acquired property. The credit agreement contains customary covenants including, but not limited to, incurring additional debt, transferring or selling assets, making investments including acquisitions or paying dividends or redeeming shares of capital stock. We are also

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required to meet certain financial covenants defined in the credit agreement including: (i) Senior Leverage Ratio (Senior Leverage to Consolidated EBITDA) which must be less than 2.0 times, (ii) Consolidated Interest Coverage Ratio (Consolidated EBITDA to Consolidated Cash Interest Expense) which must be greater than 2.5 times, and (iii) Current Ratio (Current Assets to Current Liabilities) which must be greater than 1.25 times. Continued access to the facilities is not contingent on the maintenance of a specific credit rating. The definition of these covenants is unchanged from the previous third amended and restated credit agreement. As a result of the revenue writedown on the Canadian Natural long-term overburden removal contract, discussed in the Explanatory Notes — Significant Business Event section of our MD&A, we were not in compliance with certain existing financial covenants as at March 31, 2011 on our credit agreement. On May 20, 2011, we received an amendment to our credit agreement, from our lenders, to exclude the $42.5 million revenue writedown on our long-term overburden removal contract with Canadian Natural when determining Consolidated EBITDA (as defined in our credit agreement) related covenant compliance. This amendment ensures that this writedown will not result in a breach of Consolidated EBITDA (as defined in our credit agreement) related covenant compliance at March 31, 2011 or any future date. As a result of this amendment, we remain in compliance with the financial covenants on our credit agreement.

Financing fees of $1.0 million were incurred in connection with the fourth amended and restated credit agreement, dated April 30, 2010 and were recorded as deferred financing costs.

Consolidated EBITDA is defined within the credit agreement to be the sum, without duplication, of (a) consolidated net income, (b) consolidated interest expense, (c) provision for taxes based on income, (d) total depreciation expense, (e) total amortization expense, (f) costs and expenses incurred by us in entering into the credit facility, (g) accrual of stock-based compensation expense to the extent not paid in cash or if satisfied by the issuance of new equity, (h) the non-cash currency translation losses or mark-to-market losses on any hedge agreement (defined in the credit agreement) or any embedded derivative, and (i) other non-cash items including goodwill impairment (other than any such non-cash item to the extent it represents an accrual of or reserve for cash expenditures in any future period) but only, in the case of clauses (b)-(i), to the extent deducted in the calculation of consolidated net income, less (i) the non-cash currency translation gains or mark-to-market gains on any hedge agreement or any embedded derivative to the extent added in the calculation of consolidated net income, and (ii) other non-cash items added in the calculation of consolidated net income (other than any such non-cash item to the extent it will result in the receipt of cash payments in any future period), all of the foregoing as determined on a consolidated basis in conformity with GAAP.

The credit facility may be prepaid in whole or in part without penalty, except for bankers' acceptances, which are not pre-payable prior to their maturity. However, the credit facility requires prepayments under various circumstances, such as: (i) 100% of the net cash proceeds of certain asset dispositions, (ii) 100% of the net cash proceeds from our issuance of equity (unless the use of such securities' proceeds is otherwise designated by the applicable offering document) and (iii) 100% of all casualty insurance and condemnation proceeds, subject to exceptions.

**9.125% SERIES 1 DEBENTURES[22]**

On April 7, 2010, we closed a private placement of Series 1 Debentures for gross proceeds of $225.0 million and net proceeds after commissions and related expenses of $218.1 million. Financing fees of $6.9 million were incurred in connection with the Series 1 Debentures and were recorded as deferred financing costs.

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 us or any of our subsidiaries. The Series 1 Debentures are effectively subordinated to all secured debt to the extent of the value of the collateral.

At any time prior to April 7, 2013, we may redeem up to 35% of the aggregate principal amount of the Series 1 Debentures, with the net cash proceeds of one or more of our public equity offerings (as defined in the trust indenture that governs the Series 1 Debentures) 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 is made within 90 days of the equity offering.

At any time prior to April 7, 2013 we may on one or more occasions redeem the Series 1 Debentures, in whole or in part, at a redemption price that is equal to the greater of (a) the Canada Yield Price (as defined in the trust indenture that governs the Series 1 Debenture) and (b) 100% of the aggregate principal amount of 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 our option, 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.

[22]The following description of our Series 1 Debentures does not purport to be complete and reference should be made to the Indenture and the Supplemental Indenture in respect of the Series 1 Debentures referred to under "Material Contracts" and available at www.sedar.com and on EDGAR at www.sec.gov.

If there is a change of control (as defined in the trust indenture) we will be required to offer to purchase all or a portion of each holder's Series 1 Debentures at a purchase price in cash equal to 101% of the principal amount of the debentures offered for repurchase plus accrued interest to the date of purchase.

The Series 1 Debentures were rated B+ by Standard & Poor's and B3 by Moody's as at March 31, 2011 (see " *Debt Ratings*").

**LETTERS OF CREDIT**

One of our major contracts allows the customer to require that we provide up to $50.0 million in letters of credit. As at March 31, 2011, we had $10.0 million in letters of credit outstanding in connection with this contract (we had $12.3 million in letters of credit outstanding in total for all customers as of March 31, 2011). Any change in the amount of the letters of credit required by this customer must be requested by November 1st in each year for an issue date of January 1st following the date of such request, for the remaining life of the contract.

**DEBT RATINGS**

On May 25, 2011, following the announcement that we would take a revenue writedown on the long-term overburden removal contract with Canadian Natural, as discussed in the "Explanatory Notes — Significant Business Event" section of our MD&A, Standard and Poor's Ratings Services ("S&P") affirmed our 'B+' long-term corporate credit rating and affirmed the senior unsecured debt rating of 'B+' and recovery rating of '3' on our Series 1 Debentures. However, S&P did revise revise its outlook on our corporate rating to 'Negative' from 'Stable'.

Moody's Investor Services, Inc. ("Moody's") affirmed our corporate credit ratings in March 2010 and rated our Series 1 Debentures in April 2010. Moody's is currently conducting its annual review of our ratings.

Our credit ratings from these two agencies are as follows:

| Category | Standard & Poor's | Moody's |
|---|---|---|
| Corporate Rating | B+ ('negative' outlook) | B2 ('stable' outlook) |
| Series 1 Debentures | B+ (recovery rating of "3") | B3 (LGD# rating of "5") |

# Loss Given Default

A change in our credit ratings, particularly the rating issued by S&P, will affect the interest rate payable on borrowings under our credit agreement. Additionally, counterparties to certain agreements may require additional security or other changes in business terms if our credit ratings are downgraded. Furthermore, these ratings are required for us to access the public debt markets, and they affect the pricing of such debt. Any downgrade in our credit ratings from current levels could adversely affect our long-term financing costs, which in turn could adversely affect our ability to pursue business opportunities.

A credit rating is a current opinion of the credit worthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program (including ratings on medium-term note programs and commercial paper programs). It takes into consideration the credit worthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and takes into account the currency in which the obligation is denominated. The opinion evaluates the obligor's capacity and willingness to meet its financial commitments as they come due, and may assess terms, such as collateral security and subordination, which could affect ultimate payment in the event of default. A credit rating is not a statement of fact or recommendation to purchase, sell, or hold a financial obligation or make any investment decisions nor is it a comment regarding an issuer's market price or suitability for a particular investor. A credit rating speaks only as of the date it is issued and can be revised upward or downward or withdrawn at any time by the issuing rating agency if it decides circumstances warrant a revision. Definitions of the categories of each rating and the factors considered during the evaluation of each rating have been obtained from each respective rating organization's website as outlined below.[23]

**Standard and Poor's**

An obligation rated B is regarded as having speculative characteristics, but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

A recovery rating of "3" for the Series 1 Debentures indicates an expectation for an average of 50% to 70% recovery in the event of a payment default.

A Standard & Poor's rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically nine months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future CreditWatch action. A Stable outlook means that a rating is not likely to change. A Negative outlook means that a rating may be lowered.

[23]This information is current as of this report and we undertake no obligation to provide investors with updated information.

**Moody's**

Obligations rated "B" are considered speculative and are subject to high credit risk. Moody's appends numerical modifiers to each generic rating classification from "Aaa" through "C". The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

LGD assessments are opinions about expected loss given default on fixed income obligations expressed as a percent of principal and accrued interest at the resolution of the default. An LGD assessment (or rate) is the expected LGD divided by the expected amount of principal and interest due at resolution. A LGD rating of "5" indicates a loss range of greater than or equal to 70% and less than 90%.

A Moody's rating outlook is an opinion regarding the likely direction of an issuer's rating over the medium term. Where assigned, rating outlooks fall into the following four categories: Positive ("POS"), Negative ("NEG"), Stable ("STA") and Developing ("DEV" – contingent upon an event). In the few instances where an issuer has multiple ratings with outlooks of differing directions, an "(m)" modifier (indicating multiple, differing outlooks) will be displayed and Moody's written research will describe any differences and provide the rationale for these differences. A "RUR" (Rating(s) Under Review) designation indicates that the issuer has one or more ratings under review for possible change, and thus overrides the outlook designation. When an outlook has not been assigned to an eligible entity, "NOO" (No Outlook) may be displayed. A Stable outlook means that a rating is not likely to change.

**DIRECTORS AND OFFICERS**

The following table sets forth information about our directors and executive officers. Ages reflected are as at May 31, 2011. Each director is elected for a one-year term or until such person's successor is duly elected or appointed, unless his office is earlier vacated. Unless otherwise indicated below, the business address of each of our directors and executive officers is Suite 2400, 500 4th Avenue SW, Calgary, Alberta, T2P 2V6. As at May 31, 2011, the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 913,755 common shares of the Company (representing approximately 2.5% of all issued and outstanding common shares).

| Name and Municipality of Residence | Age | Position |
|---|---|---|
| Rodney J. Ruston<br>Calgary, Alberta, Canada | 60 | Director, President and Chief Executive Officer |
| David Blackley<br>Calgary, Alberta, Canada | 50 | Chief Financial Officer |
| Joseph C. Lambert<br>Calgary, Alberta, Canada | 46 | Vice President, Oil Sands Operations |
| Bernard T. Robert<br>Calgary, Alberta, Canada | 44 | Vice President, Corporate Affairs & Business Strategy |
| Christopher R. Yellowega<br>Airdrie, Alberta, Canada | 40 | Vice President, Business Services & Construction |
| Ronald A. McIntosh<br>Calgary, Alberta, Canada | 69 | Chairman of the Board |
| George R. Brokaw<br>New York, New York, United States | 43 | Director |
| John A. Brussa<br>Calgary, Alberta, Canada | 54 | Director |
| Peter R. Dodd<br>Sydney, Australia | 61 | Director |
| John D. Hawkins<br>Houston, Texas, United States | 47 | Director |
| William C. Oehmig<br>Houston, Texas, United States | 61 | Director |
| Allen R. Sello<br>West Vancouver, British Columbia, Canada | 71 | Director |
| Peter W. Tomsett<br>West Vancouver, British Columbia, Canada | 53 | Director |
| K. Rick Turner<br>Houston, Texas, United States | 53 | Director |

*Rodney J. Ruston* became President, Chief Executive Officer of NAEPI on May 9, 2005 and a Director of NAEPI on June 15, 2005. He took the Company public with a listing on both the NYSE and TSX on November 22, 2006. In 2007, Mr. Ruston joined Northern Alberta Institute of Technology's President's Advisory Committee. Previously, Mr. Ruston was Managing Director and Chief Executive Officer of Ticor Limited, a publicly listed Australian natural resources company with operations in Australia, South Africa, and Madagascar. Mr. Ruston has spent his entire career in the natural resources industry, holding management positions with Pasminco Limited, Savage Resources Limited, Wambo Mining Corporation, Oakbridge Limited and Kembla Coal & Coke Pty. Limited. He was Chairman of the Australian Minerals Tertiary Education Council from July 2003 until May 2005 and received his Masters of Business Administration from the University of Wollongong and Bachelor of Engineering (Mining) from the University of New South Wales in Australia.

*David Blackley* became Chief Financial Officer of NAEPI on June 11, 2009. Mr. Blackley joined NAEPI as Vice-President, Finance on January 14, 2008, bringing extensive experience leading accounting and financial reporting teams and overseeing the design and implementation of internal financial controls and processes. Previously Mr. Blackley served as Vice-President, Finance of Lafarge North America's Aggregates and Concrete division. A Chartered Accountant, Mr. Blackley holds a Bachelor of Commerce from Rhodes University in South Africa.

*Joseph C. Lambert* joined NACG in 2008 as General Manager of Mining after an extensive career in the mining industry and was promoted to Vice President, Oil Sands Operations in September of 2010. Prior to that, Joe's career began in the gold industry where he spent 17 years in roles of increasing responsibility in engineering and operations both open pit and

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underground. Joe's more recent contracting and oil sands experience included positions as General Manager with Ledcor and Mine Development Manager, Oil Sands with Shell. Joe graduated from the South Dakota School of Mines and Technology with a B.S. in Mining Engineering in 1986.

*Bernard T. Robert* joined us in March 1998 as Controller and held various positions within the Finance department including Director, Project Accounting and Treasurer until his transfer to the position of Director, Business Development in 2006. Mr. Robert held this position until he was appointed Vice-President, Business Development and Estimating on September 1, 2007. On January 23, 2009, Mr. Robert was appointed Vice-President, Corporate Affairs and Business Strategy. Prior to joining us, Mr. Robert worked as the Manager, Budgets & Forecasts for Telus Communications in Edmonton. Mr. Robert began his career at Enbridge Pipelines Inc. (formerly Interprovincial Pipelines Inc.) where he worked in various roles within the Finance and Regulatory areas. Mr. Robert is a Certified General Accountant having graduated in 1995.

*Christopher R. Yellowega* became Vice-President, Major Mining Projects on April 1, 2008 bringing with him an extensive oil sands development and operations experience. He was appointed Vice-President, Operations on January 23, 2009. Prior to joining us, Mr. Yellowega served as Vice President, Upstream Operations with Synenco Energy Inc., where he played a leadership role in planning and designing a major oil sands mining development. Before that, Mr. Yellowega served at the Athabasca Oilsands Project Expansion (Albian Sands) as Superintendent responsible for leading the expansion project team for upstream operations. A Mining Engineer, Mr. Yellowega is currently a member of the Board of Directors for the Alberta Chamber of Resources and is recognized as a Registered Professional Engineer.

*Ronald A. McIntosh* became Chairman of our Board of Directors on May 20, 2004. From January 2004 until August of 2006, Mr. McIntosh was Chairman of NAV Energy Trust, a Calgary based oil and natural gas investment fund. Between October 2002 and January 2004, he was President and Chief Executive Officer of Navigo Energy Inc. and was instrumental in the conversion of Navigo into NAV Energy Trust. He was Senior Vice President and Chief Operating Officer of Gulf Canada Resources Limited from December 2001 to July 2002 and Vice President, Exploration and International of Petro-Canada from April 1996 through November 2001. Mr. McIntosh's significant experience in the energy industry includes the former position of Chief Operating Officer of Amerada Hess Canada. Mr. McIntosh is on the Board of Directors of Advantage Oil & Gas Ltd. and Fortress Energy Inc.

*George R. Brokaw* became one of our Directors on June 28, 2006. Mr. Brokaw joined Perry Capital, L.L.C., an affiliate of Perry Corp., in August 2005. Mr. Brokaw is a Managing Partner of Perry Corp. From January 2003 to May 2005, Mr. Brokaw was Managing Director (Mergers & Acquisitions) of Lazard Frères & Co. LLC, which he joined in 1996. Between 1994 and 1996, Mr. Brokaw was an investment banking associate for Dillon Read & Co. Mr. Brokaw received a Bachelor of Arts degree from Yale University and a Juris Doctorate and Masters of Business Administration from the University of Virginia. He is admitted to practice law in the State of New York. Investment entities controlled by Perry Corp. are holders of our common shares. (See our most recent information circular that involved the elections of directors for details.)

*John A. Brussa* became one of our Directors on November 26, 2003. Mr. Brussa is a senior partner and head of the Tax Department at the law firm of Burnet, Duckworth & Palmer LLP, a leading natural resource and energy law firm located in Calgary. He has been a partner since 1987 and has worked at the firm since 1981. Mr. Brussa is Chairman of Penn West Petroleum Ltd. and Crew Energy Inc. Mr. Brussa also serves as a director of a number of natural resource and energy companies. He is a member and former Governor of the Executive Committee of the Canadian Tax Foundation. Mr. Brussa attended the University of Windsor and received his Bachelor of Arts in History and Economics in 1978 and his Bachelor of Law in 1981.

*Peter R. Dodd* retired as Chief Financial Officer of NAEPI on June 10, 2009 and became a non-independent director of the Corporation. Mr. Dodd has over 25 years experience in strategic business planning, corporate finance and investment banking. Prior to joining NAEPI, Mr. Dodd served as Director of Strategy and Development for CSR Ltd., an Australian based conglomerate with sugar, building products, aluminium and property divisions. Previously, Mr. Dodd was Managing Director and Global Head of Corporate Finance for ABN AMRO in London, England, managing corporate finance teams in 23 countries. Mr. Dodd has a PhD in Accounting and Finance from the William E. Simon School of Management at the University of Rochester and is currently Deputy Vice-Chancellor & Chief Operating Officer of Macquarie University in Sydney, Australia.

*John D. Hawkins* became one of our Directors on October 17, 2003. Mr. Hawkins joined The Sterling Group, L.P., a private equity investment firm, in 1992 and has been a Partner since 1999. An affiliate of The Sterling Group is a holder of our common shares. (See our most recent information circular that involved the elections of directors for details.) Mr. Hawkins currently serves as chairman of the board of Saxco Holdings International and serves on the board of directors of Velcon Filters and B&G Crane. Before joining Sterling he was on the professional staff of Arthur Andersen & Co. from 1986 to 1990. He received a Bachelor of Science in Business Administration in Accounting from the University of Tennessee and his Masters of Business Administration from the Owen Graduate School of Management at Vanderbilt University.

*William C. Oehmig* served as Chairman of our Board of Directors from November 26, 2003 and until passing off this position and assuming the role of Director and chair of the Executive Committee on May 20, 2004. He now serves as chairman of the Risk Committee and on the Compensation Committee. Mr. Oehmig is a Partner with The Sterling Group, L.P., a private

equity investment firm. An investment entity affiliated with The Sterling Group is a holder of our common shares. (See our most recent information circular that involved the elections of directors for details.) Prior to joining Sterling in 1984, Mr. Oehmig worked in banking, mergers and acquisitions, and represented foreign investors in purchasing and managing U.S. companies in the oilfield service, manufacturing, distribution, heavy equipment and real estate sectors. He began his career in Houston in 1974 at Texas Commerce Bank. Mr. Oehmig currently serves on the board of Universal Fibers Inc. In the past he has served as Chairman of Royster-Clark, Purina Mills, Exopack and Sterling Diagnostic Imaging and has served on the board of several portfolio companies since joining Sterling. Mr. Oehmig serves or has served on numerous other corporate non-profit boards. Mr. Oehmig received his Bachelor of Business Administration (B.B.A.) in Economics from Transylvania University and his Masters of Business Administration (M.B.A.) from the Owen Graduate School of Management at Vanderbilt University.

*Allen R. Sello* became one of our Directors on January 26, 2006. His career began at Ford Motor Company of Canada in 1964, where he held finance and marketing management positions, including Treasurer. In 1979, Mr. Sello joined Gulf Canada Limited, at which he held various senior financial positions, including Vice-President and Controller. He was appointed Vice-President, Finance of its successor company Gulf Canada Resources Limited in 1987 and Chief Financial Officer in 1988. Mr. Sello then joined International Forest Products Ltd. in 1996 as Chief Financial Officer. From 1999 until his retirement in 2004 he held the position of Senior Vice-President and Chief Financial Officer for UMA Group Limited. Mr. Sello is currently a director of Sterling Shoes Inc., former director of software development companies Infowave Software Inc. and Braintech Inc., and former Chair of the Vancouver Board of Trade Government Budget and Finance Committee. Mr. Sello received his Bachelor of Commerce from the University of Manitoba and his Masters of Business Administration from the University of Toronto

*Peter W. Tomsett* became one of our Directors on September 20, 2006. From September 2004 to January 2006, Mr. Tomsett was President & Chief Executive Officer of Placer Dome Inc. based in Vancouver. He joined the Placer Dome Group in 1986 as a Mining Engineer with the Project Development group in Sydney, Australia. After various project and operating positions, he assumed the role of Executive Vice-President, Asia-Pacific for Placer Dome Inc. in 2001. In 2004, Mr. Tomsett also took on responsibility for Placer Dome Africa which included mines in South Africa and Tanzania. Mr. Tomsett has been a Director of the Minerals Council of Australia, the World Gold Council and the International Council for Mining & Metals. Mr. Tomsett graduated with a Bachelor of Engineering (Honours) in Mining Engineering from the University of New South Wales and also attained a Master's of Science (Distinction) in Mineral Production Management from Imperial College, London. Mr. Tomsett is also Chairman of Silver Standard Resources Inc. and Equinox Minerals Ltd., and a director of Talisman Energy Inc.

*K. Rick Turner* became one of our Directors on November 26, 2003. Mr. Turner has been employed by Stephens' family entities since 1983. Mr. Turner is currently Senior Managing Director of The Stephens Group, LLC. He first became a private equity principal in 1990 after serving as the Assistant to the Chairman, Jackson T. Stephens. His areas of focus have been oil and gas exploration, natural gas gathering, processing industries and power technology. Mr. Turner currently serves as a director of Atlantic Oil Corporation; JV Industrials, LLC; Seminole Energy Services, LLC; the General Partner of Energy Transfer Partners, LP ("ETP"); and the General Partner of Energy Transfer Equity, LP ("ETE"). Prior to joining Stephens, Mr. Turner was employed by Peat, Marwick, Mitchell and Company. Mr. Turner earned his Bachelor of Science in Business Administration (B.S.B.A.) from the University of Arkansas and is a non-practicing Certified Public Accountant.

**Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

Mr. Ron McIntosh is a director of Fortress Energy Inc. ("Fortress"). On March 3, 2011 the TSX suspended trading in the securities of Fortress due to Fortress having been granted a stay under the *Companies' Creditors Arrangement Act* (Canada). Fortress announced that it applied for the stay in order to enable it to challenge a reassessment by the Canada Revenue Agency in the amount of approximately $18 million which Fortress believes is not sustainable and which it intends to vigorously dispute. Fortress announced that, without the stay, it would have been compelled to immediately remit $9 million to the CRA and that it does not have sufficient funds to do so, although it does have $18 million of assets in excess of its liabilities with sufficient liquid assets to pay all other liabilities and trade payables. Further, on February 23, 2011, Fortress announced that that it did not meet the listing requirements of the TSX by virtue of the sale of substantially all of its oil and gas assets to Terra Energy Corp. on September 1, 2010. Fortress was notified by the TSX that its formal listing committee determined on February 25, 2011, that Fortress would be delisted from the TSX on March 30, 2011, which it was.

*John A. Brussa* was a director of Imperial Metals Limited, a corporation engaged in oil and natural gas and mining operations, during the year prior to that corporation implementing a plan of arrangement under the *Company Act* (British Columbia) and under the *Companies' Creditors' Arrangement Act* (Canada) which resulted in the separation of its two businesses. The reorganization resulted in the creation of two public corporations, Imperial Metals Corporation, engaged in the mining business, and IEI Energy Inc. (subsequently renamed Rider Resources Ltd.), engaged in the oil and gas business. The plan of arrangement was completed in April 2002.

**THE BOARD AND BOARD COMMITTEES**

Our board supervises the management of our business as provided by Canadian law. We comply with the listing requirements of the New York Stock Exchange applicable to domestic listed companies, which require that our board of

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directors be composed of a majority of independent directors. Accordingly, a majority of our board members are independent.

Our board has established the following committees:

**AUDIT COMMITTEE**

The Audit Committee recommends independent public accountants to the board of directors, reviews the quarterly and annual financial statements and related MD&A, press releases, auditor reports and the fees paid to our auditors. The Audit Committee approves quarterly financial statements and recommends annual financial statements for approval to the board of directors. In accordance with Rule 10A-3 under the Securities Exchange Act of 1934, as amended, the listing requirements of the New York Stock Exchange and the requirements of the Canadian Securities regulatory authorities, our board of directors has affirmatively determined that our Audit Committee is composed solely of independent directors. The board of directors has determined that Mr. Allen R. Sello is the audit committee financial expert, as defined by Item 407(d) (5) of the SEC's Regulation S-K. Our board of directors has adopted a written charter for the Audit Committee that is attached as Exhibit A to this AIF. The Audit Committee is currently composed of Messrs. Brokaw, Hawkins, McIntosh, Sello and Turner, with Mr. Sello serving as Chairman. Based on their experience (see "Directors and Officers" above), each of the members of the Audit Committee is financially literate. The members of the audit committee have significant exposure to the complexities of financial reporting associated with us and are able to provide due oversight and the necessary governance over, our financial reporting.

Our auditors are KPMG LLP. Our Audit Committee pre-approved the engagement of KPMG to perform the audit of our financial statements for the fiscal year ended March 31, 2011.

The fees we have paid to KPMG for services rendered by them include:

- *Audit Fees* – KPMG billed us $1,130,800, $1,862,800, and $2,374,000 for audit fees during the years ended March 31, 2011, 2010 and 2009, respectively. Audit fees were incurred for the audit of our annual financial statements, the audit of compliance and internal controls over financial reporting, related audit work in connection with registration statements and other filings with various regulatory authorities, and quarterly interim reviews of the consolidated financial statements.
- *Audit Related Fees* – KPMG billed us $nil, $394,645 and $nil during the years ended March 31, 2011, 2010 and 2009, respectively, for professional services related to the conversion of US GAAP and for planning and scoping work and advice relating to internal controls over financial reporting.
- *Tax Fees* – KPMG billed us $nil, $7,500 and $62,000 for the years ended March 31, 2011, 2010 and 2009, respectively, for income tax advisory and compliance services.
- *All Other Fees* – KPMG billed us $nil, $nil and $64,000 for the years ended March 31, 2011, 2010 and 2009, respectively, for fees related to analysis of the conversion to US GAAP and International Financial Reporting Standards (IFRS), respectively. KPMG did not perform any other services for us in the years ended March 31, 2011 and 2010, respectively.

**COMPENSATION COMMITTEE**

The Compensation Committee is responsible for supervising executive compensation policies for us and our Subsidiaries, administering the employee incentive plans, reviewing officers' salaries, approving significant changes in executive employee benefits and recommending to the board such other forms of remuneration as it deems appropriate. In accordance with the listing requirements of the New York Stock Exchange applicable to domestic listed companies and applicable Canadian securities laws, our board of directors has affirmatively determined that our Compensation Committee is composed solely of independent directors. Our board of directors has adopted a written charter for the Compensation Committee that is available on our website at www.nacg.ca. The Compensation Committee is currently comprised of Messrs. Brussa, Oehmig, Sello and Tomsett, with Mr. Tomsett serving as Chairman. None of the members of the Compensation Committee is or has been one of our officers or employees, and none of our executive officers served during fiscal 2010 on a board of directors of another entity which has employed any of the members of the Compensation Committee.

**GOVERNANCE COMMITTEE**

The Governance Committee is responsible for recommending to the board of directors proposed nominees for election to the board of directors by the shareholders at annual meetings and for conducting an annual review as to the re-nominations of incumbents and proposed nominees for election by the board of directors to fill vacancies that occur between shareholder meetings. The Governance Committee also makes recommendations to the board of directors regarding corporate governance matters and practices. In accordance with the listing requirements of the New York Stock Exchange applicable to domestic listed companies and applicable Canadian securities laws, our board of directors has affirmatively determined that our Governance Committee is composed solely of independent directors. Our board of directors has adopted a written charter for the Governance Committee that is available on our website at www.nacg.ca. The Governance Committee is currently comprised of Messrs. Brussa, Hawkins, McIntosh and Turner, with Mr. Hawkins serving as Chairman.

**HEALTH, SAFETY, ENVIRONMENT AND BUSINESS RISK COMMITTEE**

The Health, Safety, Environment and Business Risk Committee (the "HSE&B Risk Committee") is responsible for monitoring, evaluating, advising and making recommendations on matters relating to the health and safety of our employees, the

management of our health, safety and environmental risks, due diligence related to health, safety and environment matters, as well as the integration of health, safety, environment, economics and social responsibility into our business practices. The HSE&B Risk Committee is also responsible for overseeing all of our non-financial risks, approving our risk management policies, monitoring risk management performance, reviewing the risks and related risk mitigation plans within our strategic plan, reviewing and approving tenders and contracts greater than $50 million in expected revenue and any other matter where board guidelines require approval at a level above President & CEO, and reviewing and monitoring all insurance policies including directors and officers insurance coverage. Our board of directors has affirmatively determined that our HSE&B Risk Committee is composed solely of independent directors. Our board of directors has adopted a written charter for the HSE&B Risk Committee that is available on our website at www.nacg.ca. The HSE&B Risk Committee is currently comprised of Messrs. Brokaw, Dodd, McIntosh, Oehmig and Tomsett, with Mr. Oehmig serving as Chairman.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

### Advisory Agreements

We have entered into a letter agreement with each of Sterling Group Partners I, L.P., Perry Partners, L.P. and Perry Partners International, Inc. (the “significant shareholders”) pursuant to which we have engaged each significant shareholder to provide their expertise and advice to us for no fee, which is in their interests because of their investments in us. In order for the significant shareholders to provide such advice, we have agreed to:

- provide them copies of all documents, reports, financial data and other information regarding us;
- permit them to consult with and advise our management on matters relating to our operations;
- permit them to discuss our company’s affairs, finances and accounts with our officers, directors and outside accountants;
- permit them to visit and inspect any of our properties and facilities, including but not limited to books of account;
- permit them to attend, to the extent that a director is not related to the significant shareholder, to designate and send a representative to attend all meetings of our board of directors in a non-voting observer capacity;
- provide them copies of certain of our financial statements and reports; and
- provide them copies of all materials sent by us to our board of directors, other than materials relating to transactions in which the significant shareholder has an interest.

We may terminate a significant shareholder’s letter agreement in certain circumstances. All the foregoing rights are subject to customary confidentiality requirements and subject to security clearance requirements imposed by applicable government authorities.

### Registration Rights Agreement

We are party to a registration rights agreement with certain shareholders, including affiliates of each of the significant shareholders, Paribas North America, Inc. and Mr. William Oehmig, one of our directors. The shareholders party to the agreement and their permitted transferees are entitled, subject to certain limitations, to include their common shares in a registration of common shares we initiate under the Securities Act of 1933, as amended. In addition, after the 120th day following our IPO, any one or more shareholders party to the agreement has the right to require us to effect the registration of all or any part of such shareholders’ common shares under the Securities Act, referred to as a “demand registration,” so long as the amount of common shares to be registered has an aggregate fair market value of at least US$5.0 million and, at such time, the SEC has ordered or declared effective fewer than four demand registrations initiated by us pursuant to the registration rights agreement. If the aggregate number of common shares that the shareholders party to the agreement request us to include in any registration, together, in the case of a registration we initiate, with the common shares to be included in such registration, exceeds the number which, in the opinion of the managing underwriter, can be sold in such offering without materially affecting the offering price of such shares, the number of shares of each shareholder to be included in such registration will be reduced pro rata based on the aggregate number of shares for which registration was requested. The shareholders party to the agreement have the right to require, after four demand registrations, one registration in which their common shares will not be subject to pro rata reduction with others entitled to registration rights.

We may opt to delay the filing of a registration statement required pursuant to any demand registration for:

- up to 120 days if:
  - we have decided to file a registration statement for an underwritten public offering of our common shares, the net proceeds of which are expected to be at least US$20.0 million; or
  - we have initiated discussions with underwriters in preparation for a public offering of our common shares from which we expect to receive net proceeds of at least US$20.0 million and the demand registration, in the underwriters’ opinion, would have a material adverse effect on the offering; or
- up to 90 days following a request for a demand registration if we are in possession of material information that we reasonably deem advisable not to disclose in a registration statement.

Our right to delay the filing of a registration statement if we possess information that we deem advisable not to disclose does not obviate any disclosure obligations which we may have under the Exchange Act or other applicable laws; it merely permits us to avoid filing a registration statement if our management believes that such a filing would require the disclosure of information which otherwise is not required to be disclosed and the disclosure of which our management believes is premature or otherwise inadvisable.

The registration rights agreement contains customary provisions whereby we and the shareholders party to the agreement covenant to indemnify and contribute to each other with regard to losses caused by the misstatement of any information or the omission of any information required to be provided in a registration statement filed under the Securities Act. The registration rights agreement requires us to pay the expenses associated with any registration other than sales discounts, commissions, transfer taxes and amounts to be borne by underwriters or as otherwise required by law.

**LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

From time to time, we are a party to litigation and legal proceedings that we consider to be a part of the ordinary course of business. While no assurance can be given, we believe that, taking into account reserves and insurance coverage, none of the litigation or legal proceedings in which we are currently involved or know to be contemplated could reasonably be expected to have a material adverse effect on our business, financial condition or results of operations. We may, however, become involved in material legal proceedings in the future that could have such a material adverse effect.¿

**TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar of the Company is CIBC Mellon Trust Co. and the address of CIBC Mellon Trust Co. is 600 The Dome Tower, 333 – 7 Avenue SW, Calgary, Alberta, T2P 2Z1.

**MATERIAL CONTRACTS**

We are party to the following material contracts, which are contracts other than those entered into in the ordinary course of our business:

- Indemnity Agreement between NACG Holdings Inc., NACG Preferred Corp., North American Energy Partners Inc., North American Construction Group Inc. and their respective officers and directors Please refer to the most recently filed management information circular for details;
- Indenture, dated as of April 7, 2010, among North American Energy Partners Inc., the guarantors named therein and CIBC Mellon Trust Company, as Trustee, and Supplemental Indenture dated as of April 7, 2010, among North American Energy Partners Inc., the guarantors named therein and CIBC Mellon Trust Company, as Trustee. Please refer to “Description of Certain Indebtedness – 9.125% Series 1 Debentures” for details;
- Registration Rights Agreement, dated as of November 26, 2003, among NACG Holdings Inc. and the shareholders party thereto. Please refer to “Interest of Management and Others in Material Transactions – Registration Rights Agreement” for details;
- Amended and Restated 2004 Share Option Plan. Please refer to the most recently filed management information circular for details;
- Directors Deferred Share Unit plan, dated January 1, 2008. Please refer to the most recently filed management information circular for details;
- Deferred Performance Share Unit plan dated April 1, 2008. Please refer to the most recently filed management information circular for details;
- Overburden Removal and Mining Services Contract, dated November 17, 2004, between Canadian Natural Resources Ltd. and Noramac Ventures Inc. Please see “Projects – Active Projects – Canadian Natural: Overburden Removal Project”
- Lease dated December 1, 1997, between NAR Group Holdings Ltd., as landlord, and North American Construction Group Inc., as tenant, as renewed by a Renewal Lease Agreement dated December 1, 2002, between Norama Inc. (successor to NAR Group Holdings Ltd.), as landlord, and North American Construction Group Inc., as tenant, as amended by a Lease Amendment and Consent Agreement dated November 26, 2003, between Acheson Properties Ltd. (successor to Norama Inc.), as landlord, and North American Construction Group Inc., as tenant, and as further amended by an Amending Agreement to Lease Amendment and Consent Agreement dated September 29, 2006, between Acheson Properties Ltd., as landlord, and North American Construction Group Inc., as tenant. This lease is for our offices in Acheson, Alberta. Please refer to “Resources and Key Trends – Facilities” for details; and
- Fourth Amended and Restated Credit Agreement dated as of April 30, 2010, among North American Energy Partners Inc., Canadian Imperial Bank of Commerce, HSBC Bank Canada, and the lenders party thereto from time to time. Please refer to “Description of Certain Indebtedness – Credit Facilities” for details.

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

## RISKS AND UNCERTAINTIES

### RISKS RELATED TO OUR BUSINESS

- ***Negotiations with Canadian Natural for the changes in escalation indices on the long term overburden removal contract may not be successful, potentially leading to claims under the contract or termination of the contract.***

As discussed in more detail in the "Explanatory Notes – Significant Business Event" section of our MD&A, we have formed a joint working group with Canadian Natural to establish revised indices on the long term overburden removal contract this customer. Although we believe the acceptance of the revised indices to be probable, if the review of the indices being undertaken by the working group does not support our position or if the parties are not able to agree upon the appropriate adjustments, there is the potential of claims under the contract or termination of the contract. This could lead to a further revenue writedown in respect of all or a portion of unbilled revenue of up to $72.0 million related to the contract, in which event we will pursue any remedies we may have available to us.

- ***The suspension of work on Canadian Natural's Horizon Oil Sands site may continue longer than anticipated.***

As discussed in more detail in the "Explanatory Notes – Significant Business Event" section of our MD&A, we were notified on May 18, 2011 by Canadian Natural that we were to suspend overburden removal activities at their Horizon mine while Canadian Natural undertakes repairs to its primary upgrading facility, which was damaged in a fire in January 2011. The suspension of work notice is effective until January 2, 2012.

If Canadian Natural is not able to complete their repairs as scheduled or bring their primary upgrading facility back to full capacity by the end of 2011 it is possible that the Canadian Natural's suspension of our overburden removal activity may extend beyond the original suspension notice date.

- ***There can be no assurance that equipment or personnel on the Canadian Natural Horizon Oil Sands site can be redeployed on a cost-effective basis.***

As a result of the recently announced work suspension on our long-term overburden removal contract with Canadian Natural, we intend to work with Canadian Natural to identify any equipment or personnel we can redeploy to other higher-margin projects in the region.¿

While we believe that there is a demand for this equipment on our other operational sites, there can be no assurance that equipment or personnel on the Canadian Natural Horizon Oil Sands site can be redeployed on a cost-effective basis during the Canadian Natural work suspension.

- ***Lump-sum and unit-price contracts expose us to losses when our estimates of project costs are lower than actual costs.***

Approximately 63%, 39% and 29% of our revenue for the fiscal years ended March 31, 2011, 2010 and 2009, respectively, was derived from lump-sum and unit-price contracts. Lump-sum and unit-price contracts require us to guarantee the price of the services we provide and thereby expose us to losses if our estimates of project costs are lower than the actual project costs we incur. Our profitability under these contracts is dependent upon our ability to accurately predict the costs associated with our services. The costs we actually incur may be affected by a variety of factors including those which are beyond our control. Factors that may contribute to actual costs exceeding estimated costs and which therefore affect profitability include, without limitation:

- site conditions differing from those assumed in the original bid;
- scope modifications during the execution of the project;
- the availability and cost of skilled workers;
- the availability and proximity of materials;
- unfavourable weather conditions hindering productivity;
- inability or failure of our customers to perform their contractual commitments;
- equipment availability, productivity and timing differences resulting from project construction not starting on time; and
- the general coordination of work inherent in all large projects we undertake.

When we are unable to accurately estimate and adjust for the costs of lump-sum and unit-price contracts, or when we incur unrecoverable cost overruns, the related projects result in lower margins than anticipated or may incur losses, which could adversely impact our results of operations, financial condition and cash flow.

- ***Our ability to maintain planned project margins on projects with longer-term contracts with fixed or indexed price escalators may be hampered by the price escalators not accurately reflecting increases in our costs over the life of the contract.***

Our ability to maintain planned project margins on longer-term contracts with contracted price escalators is dependent on the contracted price escalators accurately reflecting increases in our costs. If the contracted price escalators do not reflect

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actual increases in our costs we will experience reduced project margins over the remaining life of these longer-term contracts.

In strong economic times, the cost of labour, equipment, materials and sub-contractors is driven by the market demand for these project inputs. The level of increased demand for project inputs may not have been foreseen at the inception of the longer-term contracts with fixed or indexed price escalators resulting in reduced margins over the remaining life of the longer-term contracts. Certain of these price escalators could be considered derivative financial instruments (see “Significant Accounting Policies – Derivative Financial Instruments” in our audited consolidated financial statements for the year ended March 31, 2011).

One such long term contract that contained price indices is our long term overburden removal contract with Canadian Natural. As a result of price escalators in this contract not accurately reflecting increases in our costs, we reduced revenue to total costs on the contract, reducing our operating income by $42.5 million for the three months and year ended March 31, 2011.

- ***Unanticipated short term shutdowns of our customers’ operating facilities may result in temporary cessation or cancellation of projects in which we are participating.***

The majority of our work is generated from the development, expansion and ongoing maintenance of oil sands mining, extraction and upgrading facilities. Unplanned shutdowns of these facilities due to events outside our control or the control of our customers, such as fires, mechanical breakdowns and technology failures, could lead to the temporary shutdown or complete cessation of projects on which we are working. When these events have happened in the past, our business has been adversely affected. Our ability to maintain revenues and margins may be adversely affected to the extent these events cause reductions in the utilization of equipment.

- ***Our operations are subject to weather-related and environmental factors that may cause delays in our project work.***

Because our operations are located across Canada, including Northern British Columbia, Northern Alberta (Fort McMurray), Nunavut and Northern Ontario, we are subject to extreme weather conditions. While our operations are not significantly affected by normal seasonal weather patterns, extreme weather conditions, including heavy rain, snow, spring thaw, flooding, forest fires or dry forest fire conditions can cause delays in our project work, which could adversely impact our results of operations. Additionally, as we perform work in environmentally sensitive nature reserve areas we may be subject to seasonal reductions of our operating hours related to fish or wildlife restrictions set by the Government of Canada’s Environment Canada or Fisheries and Oceans Canada departments.

- ***Our ability to grow our operations in the future may be hampered by our inability to obtain long lead time equipment and tires, which can be in limited supply during strong economic times.***

Our ability to grow our business is, in part, dependent upon obtaining equipment on a timely basis. Due to the long production lead times of suppliers of large mining equipment during strong economic times, we may have to forecast our demand for equipment many months or even years in advance. If we fail to forecast accurately, we could suffer equipment shortages or surpluses, which could have a material adverse impact on our financial condition and results of operations.

In strong economic times, global demand for tires of the size and specifications we require can exceed the available supply. Our inability to procure tires to meet the demands for our existing fleet as well as to meet new demand for our services could have an adverse effect on our ability to grow our business.

- ***Reduced availability or increased cost of leasing our equipment fleet could adversely affect our results.***

A portion of our equipment fleet is currently leased from third parties. Other future projects may require us to lease additional equipment. If equipment lessors are unable or unwilling to provide us with reasonable lease terms within our expectations, it will significantly increase the cost of leasing equipment or may result in more restrictive lease terms that require recognition of the lease as a capital lease. We are actively pursuing new lessor relationships to dilute our exposure to the loss of one or more of our lessors.

- ***We may not be able to access sufficient funds to finance our capital growth.***

We have a substantial amount of debt outstanding and significant debt service requirements. As of March 31, 2011, we had outstanding $463.6 million of debt[24], including $8.7 million of capital leases. Our substantial indebtedness restricts our flexibility, consequently it:

- limits our ability to obtain additional financing to fund our working capital, capital expenditures, debt service requirements, potential growth or other purposes;
- limits our ability to use operating cash flow in other areas of our business;
- limits our ability to post surety bonds required by some of our customers;
- places us at a competitive disadvantage compared to competitors with less debt;

[24] Debt includes all liabilities with the exception of deferred income taxes

- increases our vulnerability to, and reduces our flexibility in planning for, adverse changes in economic, industry and competitive conditions; and
- increases our vulnerability to increases in interest rates because borrowings under our revolving credit facility and payments under some of our equipment leases are subject to variable interest rates.

Further, if we do not have sufficient earnings to service our debt, we would need to refinance all or part of our existing debt, sell assets, borrow more money or sell securities, none of which we can guarantee we will be able to achieve on commercially reasonable terms, if at all.

- ***Our business is highly competitive and competitors may outbid us on major projects that are awarded based on bid proposals.***

We compete with a broad range of companies in each of our markets. Many of these competitors are substantially larger than we are. In addition, we expect the anticipated growth in the oil sands region will attract new and sometimes larger competitors to enter the region and compete against us for projects. This increased competition may adversely affect our ability to be awarded new business.¿

Approximately 80% of the major projects that we pursue are awarded to us based on bid proposals, and projects are typically awarded based in large part on price. We often compete for these projects against companies that have substantially greater financial and other resources than we do and therefore can better bear the risk of under pricing projects. We also compete against smaller competitors that may have lower overhead cost structures and may be able to provide their services at lower rates than we can. Our business may be adversely impacted to the extent that we are unable to successfully bid against these companies. The loss of existing customers to our competitors or the failure to win new projects could adversely affect our business and results of operations.

- ***Anticipated new major capital projects in the oil sands may not materialize.***

Notwithstanding the National Energy Board's estimates regarding new capital investment and growth in the Canadian oil sands, planned and anticipated capital projects in the oil sands may not materialize. The underlying assumptions on which the capital projects are based are subject to significant uncertainties, and actual capital investments in the oil sands could be significantly less than estimated. Projected investments in new capital projects may be postponed or cancelled for any number of reasons, including among others:

- reductions in available credit for customers to fund capital projects;
- changes in the perception of the economic viability of these projects;
- shortage of pipeline capacity to transport production to major markets;
- lack of sufficient governmental infrastructure funding to support growth;
- delays in issuing environmental permits or refusal to grant such permits;
- shortage of skilled workers in this remote region of Canada; and
- cost overruns on announced projects.

- ***Changes in our customers' perception of oil prices over the long-term could cause our customers to defer, reduce or stop their investment in oil sands capital projects, which would, in turn, reduce our revenue from capital projects from those customers.***

Due to the amount of capital investment required to build an oil sands project, or construct a significant capital expansion to an existing project, investment decisions by oil sands operators are based upon long-term views of the economic viability of the project. Economic viability is dependent upon the anticipated revenues the capital project will produce, the anticipated amount of capital investment required and the anticipated fixed cost of operating the project. The most important consideration is the customer's view of the long-term price of oil which is influenced by many factors, including the condition of developed and developing economies and the resulting demand for oil and gas, the level of supply of oil and gas, the actions of the Organization of Petroleum Exporting Countries, governmental regulation, political conditions in oil producing nations, including those in the Middle East, war or the threat of war in oil producing regions and the availability of fuel from alternate sources. If our customers believe the long-term outlook for the price of oil is not favourable, or believe oil sands projects are not viable for any other reason, they may delay, reduce or cancel plans to construct new oil sands capital projects or capital expansions to existing projects. In the second half of 2009, the market price of oil decreased significantly which led to a slowdown of the world economy and a lower international demand for oil. As a result of those developments, many of our customers decided to temporarily scale back their capital development plans on oil sands projects until there was a clearer picture on the timing of the recovery of the world economy. Recent events related to the increases in the market price of oil and assertions by many of our customers about renewed confidence in the long-term growth in the oil sands has led to new announcements regarding oil sands capital investment. If there had not been signs of recovery of the world economy there would have been continuing delays, reductions or

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cancellations of major oil sands projects which would adversely affect our prospects for revenues from capital projects and could have an adverse impact on our financial condition and results of operations.

- ***Cost overruns by our customers on their projects may cause our customers to terminate future projects or expansions which could adversely affect the amount of work we receive from those customers.***

Oil sands development projects require substantial capital expenditures. In the past, several of our customers' projects have experienced significant cost overruns, impacting their returns. If cost overruns continue to challenge our customers, they could reassess future projects and expansions which could adversely affect the amount of work we receive from our customers.

- ***A change in strategy by our customers to reduce outsourcing could adversely affect our results.***

Outsourced Heavy Construction and Mining services constitute a large portion of the work we perform for our customers. For example, our mining and site preparation project revenues constituted approximately 78%, 88% and 74% of our revenues in each of the years ended March 31, 2011, 2010 and 2009, respectively. The election by one or more of our customers to perform some or all of these services themselves, rather than outsourcing the work to us, could have a material adverse impact on our business and results of operations. Certain customers perform some of this work internally and may choose to expand on the use of internal resources to complete this work. Additionally, the recent tightening of the credit market and worldwide economic downturn may result in our customers reducing their spending on outsourced mining and site preparation services if they believe they can perform this work in a more cost effective and efficient manner using their internal resources.

- ***An upturn in the Canadian economy, resulting in an increased demand for our services from the Canadian energy industry, could lead to a new shortage of qualified personnel.***

From fiscal 2007 through the first nine months of fiscal 2009, Alberta, and in particular the oils sands area, experienced significant economic growth which resulted in a shortage of skilled labour and other qualified personnel. New mining projects in the area made it more difficult for us and our customers to find and hire all the employees needed to work on these projects. If the economy returns to these previous growth levels and we are not able to recruit and retain sufficient numbers of employees with the appropriate skills, we may not be able to satisfy an increased demand for our services. This in turn, could have a material adverse effect on our business, financial condition and results of operations. If our customers are not able to recruit and retain enough employees with the appropriate skills, they may be unable to develop projects in the oils sands area.

- ***Because most of our customers are Canadian energy companies, a downturn in the Canadian energy industry or a global reduction in the demand for oil and related commodities could result in a decrease in the demand for our services.***

Most of our customers are Canadian energy companies. A downturn in the Canadian energy industry has previously led our customers to slow down or curtail their future capital expansions which, in turn, reduced our revenue from those customers on their capital projects. Another economic downturn in the Canadian energy industry or a global reduction in the demand for oil could have an adverse impact on our financial condition and results of operations. In addition, a reduction in the number of new oil sands capital projects by customers would also likely result in increased competition among oil sands service providers, which could also reduce our ability to successfully bid for new capital projects.

- ***Failure by our customers to obtain required permits and licenses due to complex and stringent environmental protection laws and regulations may affect the demand for our services.***

The development of the oil sands requires our customers to obtain regulatory and other permits and licenses from various governmental licensing bodies. Our customers may not be able to obtain all necessary permits and licenses that may be required for the development of the oil sands on their properties. In such a case, our customers' projects will not proceed, thereby adversely impacting demand for our services.

- ***Insufficient pipeline, upgrading and refining capacity could cause our customers to delay, reduce or cancel plans to construct new oil sands projects or expand existing projects, which would, in turn, reduce our revenue from those customers.***

For our customers to operate successfully in the oil sands, they must be able to transport the bitumen produced to upgrading facilities and transport the upgraded oil to refineries. Some oil sands projects have upgraders at mine site and others transport bitumen to upgraders located elsewhere. While current pipeline and upgrading capacity is sufficient for current production, future increases in production from new oil sands projects and expansions to existing projects will require increased upgrading and pipeline capacity. If these increases do not materialize, whether due to inadequate economics for the sponsors of such projects, shortages of labour or materials or any other reason, our customers may be unable to efficiently deliver increased production to market and may therefore delay, reduce or cancel planned capital investment. Such delays, reductions or cancellations of major oil sands projects would adversely affect our prospects and could have a material adverse impact on our financial condition and results of operations.

- ***Demand for our services may be adversely impacted by regulations affecting the energy industry.***

Our principal customers are energy companies involved in the development of the oil sands and in natural gas production. The operations of these companies, including their mining operations in the oil sands, are subject to or impacted by a wide array of regulations in the jurisdictions where they operate, including regulations directly impacting mining activities and indirectly affecting their businesses, such as applicable environmental laws and climate change laws. As a result of changes in regulations and laws relating to the energy industry, including the mining industry, our customers' operations could be disrupted or curtailed by governmental authorities or the market for their products could be adversely impacted. The high cost of compliance with applicable regulations or the reduction and demand for our customers' products may cause customers to discontinue or limit their operations, and may discourage companies from continuing development activities. As a result, demand for our services could be substantially affected by regulations adversely impacting the energy industry.

- ***Environmental laws and regulations may expose us to liability arising out of our operations or the operations of our customers.***

Our operations are subject to numerous environmental protection laws and regulations that are complex and stringent. We regularly perform work in and around sensitive environmental areas such as rivers, lakes and forests. Significant fines and penalties may be imposed on us or our customers for noncompliance with environmental laws and regulations, and our contracts generally require us to indemnify our customers for environmental claims suffered by them as a result of our actions. In addition, some environmental laws impose strict, joint and several liability for investigative and remediation costs in relation to releases of harmful substances. These laws may impose liability without regard to negligence or fault. We also may be subject to claims alleging personal injury or property damage if we cause the release of, or any exposure to, harmful substances.

We own or lease, and operate, several properties that have been used for a number of years for the storage and maintenance of equipment and other industrial uses. Fuel may have been spilled, or hydrocarbons or other wastes may have been released on these properties. Any release of substances by us or by third parties who previously operated on these properties may be subject to laws which impose joint and several liability for clean-up, without regard to fault, on specific classes of persons who are considered to be responsible for the release of harmful substances into the environment.

- ***Lack of sufficient governmental infrastructure to support the growth in the oil sands region could cause our customers to delay, reduce or cancel their future expansions, which would, in turn, reduce our revenue from those customers.***

The development in the oil sands region has put a great strain on the existing governmental infrastructure, necessitating substantial improvements to accommodate growth in the region. The local government having responsibility for a majority of the oil sands region has been exceptionally impacted by this growth and is not currently in a position to provide the necessary additional infrastructure. In an effort to delay further development until infrastructure funding issues are resolved, the local governmental authority has previously intervened in hearings considering applications by major oil sands companies to the Energy Resources Conservation Board ("ERCB") for approval to expand their operations. Similar action could be taken with respect to any future applications. The ERCB has indicated that it believes that additional infrastructure investment in the oil sands region is needed and that there is a short window of opportunity to make these investments in parallel with continued oil sands development. If the necessary infrastructure is not put in place, future growth of our customers' operations could be delayed, reduced or cancelled which could in turn adversely affect our prospects and could have a material adverse impact on our financial condition and results of operations.

- ***Significant labour disputes could adversely affect our business.***

Substantially all of our hourly employees are subject to collective bargaining agreements to which we are a party or are otherwise subject. Any work stoppage resulting from a strike or lockout could have a material adverse effect on our business, financial condition and results of operations. In addition, our customers employ workers under collective bargaining agreements. Any work stoppage or labour disruption experienced by our key customers could significantly reduce the amount of our services that they need.

- ***If we are unable to obtain surety bonds or letters of credit required by some of our customers, our business could be impaired.***

We are at times required to post a bid or performance bond issued by a financial institution, known as a surety, to secure our performance commitments. The surety industry experiences periods of unsettled and volatile markets, usually in the aftermath of substantial loss exposures or corporate bankruptcies with significant surety exposure. Historically, these types of events have caused reinsurers and sureties to re-evaluate their committed levels of underwriting and required returns. If for any reason, whether because of our financial condition, our level of secured debt or general conditions in the surety bond market, our bonding capacity becomes insufficient to satisfy our future bonding requirements, our business and results of operations could be adversely affected.

Some of our customers require letters of credit to secure our performance commitments. Our April 30, 2010 fourth amended and restated credit agreement provides for the issuance of letters of credit up to $85.0 million, and at March 31,

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2011, we had $12.3 million of issued letters of credit outstanding. One of our major contracts allows the customer to require up to $50.0 million in letters of credit. If we were unable to provide letters of credit in the amount requested by this customer, we could lose business from such customer and our business and cash flow would be adversely affected. If our capacity to issue letters of credit under our revolving credit facility and our cash on hand is insufficient to satisfy our customer's requirements, our business and results of operations could be adversely affected.

- ***A significant amount of our revenue is generated by providing non-recurring services.***

More than 37% of our revenue for the year ended March 31, 2011 was derived from projects which we consider to be non-recurring. This revenue primarily relates to site preparation and piling services provided for the construction of extraction, upgrading and other oil sands mining infrastructure projects. There is no guarantee that the Company will find additional sources for generating non-recurring services revenue in fiscal 2012.

- ***Our customer base is concentrated, and the loss of or a significant reduction in business from a major customer could adversely impact our financial condition.***

Most of our revenue comes from the provision of services to a small number of major oil sands mining companies. Revenue from our five largest customers represented approximately 77%, 89% and 92% of our total revenue for the fiscal years ended March 31, 2011, 2010 and 2009, respectively, and those customers are expected to continue to account for a significant percentage of our revenues in the future. In addition, the majority of our Pipeline revenues in the previous fiscal years resulted from work performed for one customer. If we lose or experience a significant reduction of business or profit from one or more of our significant customers, we may not be able to replace the lost work or income with work or income from other customers. Our long-term contracts typically allow our customers to unilaterally reduce or eliminate the work which we are to perform under the contract. Our contracts also generally allow the customer to terminate the contract without cause and, in many cases, with minimal or no notice to us. Additionally, certain of these contracts provide for limited compensation following such suspension or termination of operations and we can provide no assurance that we could replace the lost work with work from other customers. The loss of or significant reduction in business with one or more of our major customers, whether as a result of the completion, early termination or suspension of a contract, or failure or inability to pay amounts owed to us, could have a material adverse effect on our business and results of operations.

- ***We may not be able to generate sufficient cash flow to meet our debt service and other obligations due to events beyond our control.***

Our ability to generate sufficient operating cash flow to make scheduled payments on our indebtedness and meet other capital requirements will depend on our future operating and financial performance. Our future performance will be impacted by a range of economic, competitive and business factors that we cannot control, such as general economic and financial conditions in our industry or the economy generally.

A significant reduction in operating cash flows resulting from changes in economic conditions, increased competition, reduced work or other events could increase the need for additional or alternative sources of liquidity and could have a material adverse effect on our business, financial condition, results of operations, prospects and our ability to service our debt and other obligations. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as selling assets, restructuring or refinancing our indebtedness, seeking additional equity capital or reducing capital expenditures. We may not be able to affect any of these alternative strategies on satisfactory terms, if at all, or they may not yield sufficient funds to allow us to make required payments on our indebtedness.

- ***The terms of our debt agreements may restrict our current and future operations, particularly our ability to respond to changes in our business or take certain actions.***

Our credit agreement and the trust indenture governing our Series 1 Debentures limit, among other things, our ability and the ability of our subsidiaries to:

- incur or guarantee additional debt, issue certain equity securities or enter into sale and leaseback transactions;
- pay dividends or distributions on our shares or repurchase our shares, redeem subordinated debt or make other restricted payments;
- incur dividend or other payment restrictions affecting certain of our subsidiaries;
- issue equity securities of subsidiaries;
- make certain investments or acquisitions;
- create liens on our assets;
- enter into transactions with affiliates;
- consolidate, merge or transfer all or substantially all of our assets; and
- transfer or sell assets, including shares of our subsidiaries.

Our credit agreement also requires us, and our future credit agreements may require us, to maintain specified financial ratios and satisfy specified financial tests. Our ability to meet these financial ratios and tests can be affected by events beyond our control, and we may be unable to meet those tests.

As a result of these covenants, our ability to respond to changes in business and economic conditions and to obtain additional financing, if needed, may be significantly restricted, and we may be prevented from engaging in transactions that might otherwise be considered beneficial to us. The breach of any of these covenants could result in an event of default under our revolving credit facility or any future credit facilities or under the indenture governing our notes. Under our credit agreement, our failure to pay certain amounts when due to other creditors, including to certain equipment lessors would also result in an event of default. Upon the occurrence of an event of default under our revolving credit facility or future credit facilities, the lenders could elect to stop lending to us or declare all amounts outstanding under such credit facilities to be immediately due and payable. Similarly, upon the occurrence of an event of default under the trust indenture governing our Series 1 Debentures the outstanding principal and accrued interest on the notes may become immediately due and payable. If amounts outstanding under such credit agreements and the trust indenture were to be accelerated, or if we were not able to borrow under our revolving credit facility, we could become insolvent or be forced into insolvency proceedings and you could lose your investment in us.

- ***Aboriginal peoples may make claims against our customers or their projects regarding the lands on which customer projects are located.***

Aboriginal peoples have claimed aboriginal title and rights to a substantial portion of Western Canada. Any claims that may be asserted against our customers could have an adverse effect on our customers which may, in turn, negatively impact our business.

- ***Our projects expose us to potential professional liability, product liability, warranty or other claims.***

We install deep foundations, often in congested and densely populated areas, and provide construction management services for significant projects. Notwithstanding the fact that we generally will not accept liability for consequential damages in our contracts, any catastrophic occurrence in excess of insurance limits at projects where our structures are installed or services are performed could result in significant professional liability, product liability, warranty or other claims against us. Such liabilities could potentially exceed our current insurance coverage and the fees we derive from those services. A partially or completely uninsured claim, if successful and of a significant magnitude, could result in substantial losses.

- ***We may not be able to achieve the expected benefits from any future acquisitions, which would adversely affect our financial condition and results of operations.***

We intend to pursue selective acquisitions as a method of expanding our business. However, we may not be able to identify or successfully bid on businesses that we might find attractive. If we do find attractive acquisition opportunities, we might not be able to acquire these businesses at a reasonable price. If we do acquire other businesses, we might not be able to successfully integrate these businesses into our then-existing business. We might not be able to maintain the levels of operating efficiency that acquired companies will have achieved or might achieve separately. Successful integration of acquired operations will depend upon our ability to manage those operations and to eliminate redundant and excess costs. Because of difficulties in combining operations, we may not be able to achieve the cost savings and other size-related benefits that we hoped to achieve through these acquisitions. Any of these factors could harm our financial condition and results of operations.

**RISKS RELATED TO OUR COMMON SHARES**

- ***Fluctuations in the value of the Canadian and US dollars can affect the value of our common shares and future dividends, if any.***

Our operations and our principal executive offices are in Canada. Accordingly, we report our results in Canadian dollars. The value of a US shareholder's investment in us will fluctuate as the US dollar rises and falls against the Canadian dollar. Also, if we pay dividends in the future, we will pay those dividends in Canadian dollars. Accordingly, if the US dollar rises in value relative to the Canadian dollar, the US dollar value of the dividend payments received by a US common shareholder would be less than they would have been if exchange rates were stable.

- ***If our share price fluctuates, an investor could lose a significant part of their investment.***

There has been significant volatility in the market price and trading volume of equity securities, which is unrelated to the financial performance of the companies issuing the securities. The market price of our common shares is likely to be similarly volatile, and an investor may not be able to resell our shares at or above the price at which the investor acquired the shares due to fluctuations in the market price of our common shares, including changes in price caused by factors unrelated to our operating performance or prospects.

Specific factors that may have a significant effect on the market price for our common shares include:

- changes in projections as to the level of capital spending in the oil sands region;

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- changes in stock market analyst recommendations or earnings estimates regarding our common shares, other comparable companies or the construction or oil and gas industries generally;
- actual or anticipated fluctuations in our operating results or future prospects;
- reaction to our public announcements;
- strategic actions taken by us or our competitors, such as acquisitions or restructurings;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business and operations;
- changes in accounting standards, policies, guidance, interpretations or principles;
- adverse conditions in the financial markets or general economic conditions, including those resulting from war, incidents of terrorism and responses to such events;
- sales of common shares by us, members of our management team or our existing shareholders; and
- the extent of analysts' interest in following our company.

- ***Future sales or the perception of future sales of a substantial amount of our common shares may depress the price of our common shares.***

Future sales or the perception of the availability for sale of substantial amounts of our common shares could adversely affect the prevailing market price of our common shares and could impair our ability to raise capital through future sales of equity securities at a time and price that we deem appropriate.

- ***We may issue additional common shares, which would dilute the percentage ownership interest of our existing shareholders.***

We may issue our common shares or convertible securities from time to time as consideration for future acquisitions and investments. In the event any such acquisition or investment is significant, the number of common shares or convertible securities that we may issue could be significant. We may also grant registration rights covering those shares or convertible securities in connection with any such acquisitions and investments. Any additional capital raised through the sale of our common shares or securities convertible into our common shares will dilute our common shareholders' percentage ownership in us.

- ***We currently do not intend to-pay dividends on our common shares, and our ability to pay dividends is limited by the indenture that governs our notes, our subsidiaries' ability to distribute to us and Canadian law.***

We have never paid cash dividends on our common shares. It is our present intention to retain all future earnings for use in our business, and we do not expect to pay cash dividends on the common shares in the foreseeable future. Any future determination to pay cash dividends will be at the discretion of our board of directors and will depend on our results of operations, financial condition, current and anticipated cash needs, contractual restrictions, restrictions imposed by applicable law and other factors that our board of directors considers relevant. Our ability to declare dividends is restricted by the terms of the indenture that governs our notes. See "Description of Certain Indebtedness."¿

Substantially all of the assets shown on our consolidated balance sheet are held by our subsidiaries. Accordingly, our earnings and cash flow and our ability to pay dividends are largely dependent upon the earnings and cash flows of our subsidiaries and the distribution or other payment of such earnings to us in the form of dividends.

Our ability to pay dividends is also subject to the satisfaction of a statutory solvency test under Canadian law, which requires that there be no reasonable grounds for believing that (i) we are, or would after the payment be, unable to pay our liabilities as they become due or (ii) the realizable value of our assets would, after payment of the dividend, be less than the aggregate of our liabilities and stated capital of all classes.

- ***Our principal shareholders are in a position to affect our ongoing operations, corporate transactions and other matters, and their interests may conflict with or differ from the interests of our other common shareholders.***

Investment entities controlled by the significant shareholders, collectively hold approximately 25% of our common shares. As a result, the significant shareholders and their affiliates would be able to exert influence over the outcome of most matters submitted to a vote of our shareholders, including the election of members of our board of directors, if they were to act together.

Regardless of whether the significant shareholders maintain a significant interest in our common shares, so long as a designated affiliate of each significant shareholder holds our common shares, such significant shareholder will have certain rights, including the right to obtain copies of financial data and other information regarding us, the right to consult with and advise our management and the right to visit and inspect any of our properties and facilities. See "Interest of Management and Others in Material Transactions – Advisory Agreements".

For so long as the significant shareholders own a significant percentage of our outstanding common shares, even if less than a majority, the significant shareholders will be able to exercise influence over our business and affairs, including the

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

incurrence of indebtedness by us, the issuance of any additional common shares or other equity securities, the repurchase of common shares and the payment of dividends, if any, and will have the power to influence the outcome of matters submitted to a vote of our shareholders, including election of directors, mergers, consolidations, sales or dispositions of assets, other business combinations and amendments to our articles of incorporation. The interests of the significant shareholders and their affiliates may not coincide with the interests of our other shareholders. In particular, the significant shareholders and their affiliates are in the business of making investments in companies and they may, from time to time, acquire and hold interests in businesses that compete directly or indirectly with us. The significant shareholders and their affiliates may also pursue, for their own account, acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. So long as the significant shareholders and their affiliates continue to own a significant portion of the outstanding common shares, they will continue to be able to influence our decisions.

- ***We are a holding company and rely on our subsidiaries for our operating funds, and our subsidiaries have no obligation to supply us with any funds.***

We are a holding company with no operations of our own. We conduct our operations through subsidiaries and are dependent upon our subsidiaries for the funds we need to operate. Each of our subsidiaries is a distinct legal entity and has no obligation to transfer funds to us. The ability of our subsidiaries to transfer funds to us could be restricted by the terms of our financings. The payment of dividends to us by our subsidiaries is subject to legal restrictions as well as various business considerations and contractual provisions, which may restrict the payment of dividends and distributions and the transfer of assets to us.

- ***Actions against us and some of our directors and officers may not be enforceable under US federal securities laws.***

We are a corporation incorporated under the Canada Business Corporations Act. Consequently, we are and will be governed by all applicable provincial and federal laws of Canada. Several of our directors and officers reside principally in Canada. Because these persons are located outside the United States, it may not be possible for investors to effect service of process within the United States upon those persons. Furthermore, it may not be possible for you to enforce against us or them, in or outside the United States, judgments obtained in US courts, because substantially all of our assets and the assets of these persons are located outside the United States. We have been advised that there is doubt as to the enforceability, in original actions in Canadian courts, of liabilities based upon the US federal securities laws and as to the enforceability in Canadian courts of judgments of US courts obtained in actions based upon the civil liability provisions of the US federal securities laws. Therefore, it may not be possible to enforce those actions against us, our directors and officers or other persons named in this AIF.

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign currency exchange rates and interest rates. The level of market risk to which we are exposed at any point in time varies depending on market conditions, expectations of future price or market rate movements and composition of our financial assets and liabilities held, non-trading physical assets and contract portfolios.

To manage the exposure related to changes in market risk, we use various risk management techniques including the use of derivative instruments. Such instruments may be used to establish a fixed price for a commodity, an interest-bearing obligation or a cash flow denominated in a foreign currency.

The sensitivities provided below are hypothetical and should not be considered to be predictive of future performance or indicative of earnings on these contracts.

### Foreign exchange risk

Foreign exchange risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in foreign exchange rates. We regularly transact in foreign currencies when purchasing equipment and spare parts as well as certain general and administrative goods and services. These exposures are generally of a short-term nature and the impact of changes in exchange rates has not been significant in the past. We may fix our exposure in either the Canadian dollar or the US dollar for these short-term transactions, if material.

At March 31, 2011, with other variables unchanged, the impact of a $0.01 increase (decrease) in exchange rates of the Canadian dollar to the US dollar on short-term exposures would not have a significant impact to other comprehensive income.

### Interest rate risk

We are exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows or the fair values of our financial instruments. Amounts outstanding under our amended credit facilities are subject to a floating rate. Our Series 1 Debentures are subject to a fixed rate. Our interest rate risk arises from long-term borrowings issued at fixed rates that create fair value interest rate risk and variable rate borrowings that create cash flow interest rate risk.

In some circumstances, floating rate funding may be used for short-term borrowings and other liquidity requirements. We may use derivative instruments to manage interest rate risk. We manage our interest rate risk exposure by using a mix of

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fixed and variable rate debt and may use derivative instruments to achieve the desired proportion of variable to fixed-rate debt.

At March 31, 2011, we held $72.0 million of floating rate debt pertaining to our Credit Facilities within our fourth amended and restated credit agreement (March 31, 2010 – $28.4 million). As at March 31, 2011, holding all other variables constant, a 100 basis point increase (decrease) to interest rates on floating rate debt would result in a $0.7 million increase (decrease) in effective annual interest costs. This assumes that the amount of floating rate debt remains unchanged from that which was held at March 31, 2011.

## ADDITIONAL INFORMATION

### Experts

KPMG LLP are the auditors of the Company and have confirmed that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of Institute of Chartered Accountants of Alberta and within the meaning of the U.S. Securities Act of 1933 and the applicable rules and regulations thereunder adopted by the Securities and Exchange Commission and the Public Company Accounting Oversight Board (United States).

### Additional Information

Additional information, including information in respect of (i) the remuneration and indebtedness of the directors and executive officers of the Company, (ii) the principal holders of our securities; and (iii) securities authorized for issuance under equity compensation plans, is contained in our information circular for our most recent annual meeting of holders of common shares that involved the election of our directors, and our MD&A for the year ended March 31, 2011. Additional financial information is provided in our audited consolidated financial statements for the year ended March 31, 2011.

Additional information relating to us can be found on the Canadian Securities Administrators System for Electronic Document Analysis and Retrieval (SEDAR) database at www.sedar.com, the Securities and Exchange Commission's Electronic Data Gathering, Analysis and Retrieval (EDGAR) system at www.sec.gov and our Company's web site at www.nacg.ca.

## GLOSSARY

The following are definitions of certain terms commonly used in our industry and this AIF.

***"bitumen"*** means the molasses-like substance that comprises the oil in the oil sands.

***"coker"*** means a vessel in which bitumen is cracked into its fractions and from which coke is withdrawn to start the process of converting bitumen to upgraded crude oil.

***"established reserves"*** means those reserves recoverable under current technology and present and anticipated economic conditions specifically proved by drilling, testing or production, plus the portion of contiguous recoverable reserves that are interpreted to exist from geological, geophysical or similar information with reasonable certainty.

***"upgrader"*** is a facility that upgrades bitumen into synthetic crude oil. Upgrader plants are typically located close to oil sands production.

***"muskeg"*** means a swamp or bog formed by an accumulation of sphagnum moss, leaves and decayed matter resembling peat.

***"naphtha"*** is a refined petroleum product in the lighter classification that is often used to make gasoline.

***"oil sands"*** means the grains of sand covered by a thin layer of water and coated by heavy oil, or bitumen.

***"overburden"*** means the layer of rocky, clay-like material that covers the oil sands.

***"pipeline anchor"*** is a foundation element used to resist buoyant forces of buried pipelines, consisting of a solid, square central shaft with at least one helix plate located on the shaft with its axis positioned parallel to the shaft's length.

***"screw pile"*** is a foundation element consisting of a hollow, round central shaft with at least one helix plate located on the shaft with its axis positioned parallel to the shaft's length.

***"ultimately recoverable oil reserves"*** means an estimate of the initial established reserves that will have been developed in an area by the time all exploratory and development activity has ceased, having regard for the geological prospects of that area and anticipated technology and economic conditions.

Ultimately recoverable oil reserves include cumulative production, remaining established reserves and future additions through extensions and revisions to existing pools and the discovery of new pools. Ultimate potential can be expressed by the following simple equation: Ultimate potential cumulative production established reserves additions to existing pools future discoveries.

***"upgrading"*** means the conversion of heavy bitumen into a lighter crude oil by increasing the hydrogen to carbon ratio, either through the removal of carbon (coking) or the addition of hydrogen (hydro processing).

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**EXHIBIT A**

**AUDIT COMMITTEE CHARTER**

**1. MANDATE & AUTHORITY**

**1.1** The Board of Directors (the "Board") of North American Energy Partners Inc. (the "Company") has established an Audit Committee (the "Committee") to assist the Board in meeting its oversight responsibilities. The Committee's responsibilities are summarized as follows:

a) monitor the integrity of the Company's financial and related information of the Company including its financial statements;

b) monitor the system of internal controls over financial reporting;

c) monitor the disclosure controls and procedures;

d) oversee the work of the external auditor;

e) monitor the internal audit function;

f) identify and monitor the financial risks of the Company;

g) establish the Company's ethics reporting procedures; and

h) monitor the Company's compliance with legal and regulatory requirements.

**1.2** While the Committee shall have the responsibilities and powers set forth in this charter, it shall not be the responsibility of the Committee to determine whether the Company's financial statements are complete, accurate or prepared in accordance with generally accepted accounting principles, to manage financial risks or to conduct audits. These are the responsibilities of management and the external auditor in accordance with their respective roles.

**1.3** The Committee will take reasonable steps to ensure that management establishes and maintains the controls, procedures and processes that comply with all appropriate laws, regulations or policies of the Company. It is not the responsibility of the Committee to conduct investigations or to ensure compliance with laws or regulations or Company policies. Management is responsible for establishing and maintaining the controls, procedures and processes over these matters and the Committee has the responsibility to ensure they exist.

**1.4** The Committee has the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee has the authority to engage independent counsel and other advisors, as it determines necessary to carry out its duties. The Company will provide the resources and funding required by the Committee to carry out its duties.

**1.5** The Committee shall also have unrestricted access to the Company's personnel and documents and will be provided with the resources to carry out its responsibilities. The Committee shall have direct communication channels with the external auditor and the individual responsible for the internal auditor function to discuss and review specific issues as appropriate.

**2. MEMBERSHIP**

**2.1** The Committee shall be composed of a minimum of three (3) directors of the Company. Each member of the Committee shall be appointed by the Board.

**2.2** The Board shall appoint one of the members to be the Chair of the Committee.

**2.3** All members of the Committee shall be "independent" as that term is defined under the requirements of applicable securities laws and the standards of any stock exchange on which the Company's securities are listed, taking into account any transitional provisions that are permitted.

**2.4** Members shall serve one year terms and may serve consecutive terms to ensure continuity of experience. Members shall be reappointed each year to the Committee by the Board at the Board meeting that coincides with the annual shareholder meeting. A member of the Committee shall automatically cease to be a member upon ceasing to be a director of the Company. Any member may resign or be removed by the Board from membership on the Committee or as Chair.

**2.5** All members of the Committee must be "financially literate" as that qualification is interpreted by the Board or acquire such literacy within a reasonable period of time after joining the Committee. At the present time, the Board interprets "financial literacy" to mean a basic understanding of finance and accounting and the ability to read and understand financial statements (including the related notes) of the sort released or prepared by the Company in the normal course of its business.

**2.6** At least one member of the Committee shall be an "audit committee financial expert" who shall possess the attributes outlined in Appendix A.

**2.7** No director who is currently serving on the audit committee of another public company will be appointed to the Committee unless the Board determines that such simultaneous service would not impair the ability of such member to serve on the Committee. The maximum number of audit committees a director can serve on at any one time is set at three by the NYSE.

**2.8** The responsibilities of a member of the Committee are in addition to that member's duties as a member of the Board.

**2.9** The Company is responsible for the orientation and continuing education of the members.

**3. MEETINGS**

**3.1** Committee meetings will be conducted in a manner consistent with the Company By-laws, the Audit Committee Charter and the applicable business corporation act.

**3.2** The Notice of Meeting will be governed by the Company By-laws. Meetings will be called by the Chair or any other member of the Committee as appropriate.

**3.3** The Chair shall determine the time, place and procedures for Committee meetings, subject to the requirements of this Charter.

**3.4** Any director of the Company may attend Committee meetings, however, only members of the Committee are eligible to vote or establish a quorum.

**3.5** The external auditor will be requested to attend the meetings where the Committee is reviewing quarterly or annual financial statements. The Committee or any member may request that the external auditor appear before the Committee at any time.

**3.6** The Committee will meet a minimum of four times per year and shall determine whether additional meetings are required.

**3.7** The Chair of the Committee shall preside at and chair all meetings of the Committee. If the Chair is absent from a meeting, the remaining members of the Committee shall appoint a member to act as Chair for that meeting.

**3.8** A quorum for a meeting will be established if a majority of the members are present. Members of the Committee may participate in a meeting through any means which permits all parties to communicate adequately with each other. Any members not physically present but participating in the meeting through such means is deemed to be present at the meeting. A quorum, once established, is maintained even if members of the Committee leave before the meeting concludes.

**3.9** In the event of a tie vote on a resolution, the issue will be forwarded to the full board for a vote.

**3.10** A resolution signed by all members of the Committee entitled to vote on that resolution is as valid as if it had been passed at a meeting of the Committee.

**3.11** In camera sessions will be held as deemed necessary by the Committee with the external auditor, the individual responsible for the internal audit function, management and the Committee by itself.

**3.12** The Corporate Secretary or another person appointed by the Chair will act as secretary of the Committee meetings.

**3.13** The secretary of the meeting will keep minutes of each meeting, which shall record the decisions reached by the Committee.

**3.14** The minutes shall be distributed to Committee members with copies provided to (a) the Board; (b) the CEO; (c) the Vice President Finance; (d) the external auditor; and (e) the individual responsible for the internal audit function.

**3.15** The Corporate Secretary or another person will file the Committee minutes and all meeting material with the corporate minute books.

**4. RESPONSIBILITIES**

**4.1 General**

4.1.1 The Committee will meet as set out in section 3 above.

4.1.2 The Committee will report to the Board on all matters in this charter as well as such matters as the Board may from time to time refer or delegate to the Committee.

4.1.3 The Committee will maintain a formal written Committee charter and annually assess the adequacy of the charter, submit such evaluation to the Board and recommend any proposed changes to the Board for approval.

4.1.4 The Committee members will conduct an assessment of the effectiveness of the Committee.

**4.2 Financial reporting and internal controls**

4.2.1 Annual financial statements

The Committee is responsible for the assessment of the annual audited financial statements of the Company and to recommend approval of the statements to the Board.

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4.2.2 Interim financial statements

The Committee is responsible for the assessment and approval of the quarterly interim unaudited financial statements.

4.2.3 Accounting policies

The Committee will review and discuss with management and the external auditor, as appropriate, the Company's financial reporting policies, including changes in or adoptions of, accounting standards and principles and disclosure practices.

The Committee will review with management and the external auditor their qualitative judgments about the appropriateness, not just the acceptability, of accounting principles and accounting disclosure practices used or proposed to be used and particularly, the degree of aggressiveness or conservatism of the Company's accounting principles and underlying estimates.

4.2.4 Internal controls over financial reporting

The Committee will review and discuss with management, the external auditor and others, as appropriate, the existence and design of the Company's internal controls over financial reporting established by management and the effectiveness of such controls.

The Committee will monitor the work undertaken by management to design and implement and to provide an assessment of the effectiveness of its system of internal control over financial reporting. The Committee will review and discuss with the external auditor, when required, the opinion on management's assessment of the effectiveness of its system of internal controls over financial reporting.

4.2.5 Disclosure controls and procedures

The Committee will review and discuss with management, the external auditor and others, as appropriate, the existence and design of the Company's disclosure controls and procedures established by management and the effectiveness of such controls.

The Committee will review and approve the disclosure policy of the Company and periodically assess the adequacy of such policy for completeness and accuracy. The Committee will ensure that the Company has satisfactory procedures in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements. The Committee will also monitor and oversee the activities of the Company's Disclosure Committee.

4.2.6 Other public disclosures

The Committee will review and approve, and in some instances recommend approval to the Board, material financial disclosures in the following documents prior to their public release or filing with securities regulators:

a) management's discussion and analysis;
b) any prospectus or offering document;
c) annual reports or annual information forms;
d) all material financial information required by securities regulations (e.g., Forms 6-K, 20-F and F-4) including all exhibits thereto (including the certifications required of the Company's principal executive officer and principal financial officer);
e) any related party transactions;
f) any off balance sheet structures;
g) any correspondence with securities regulators or government financial agencies; and
h) news or press releases, containing audited or unaudited financial information, including the type and presentation of information and in particular any pro-forma or non-GAAP information.

**4.3 External Auditor**

4.3.1 The Committee shall recommend to the Board the external auditor to be nominated for the purpose of preparing or issuing the auditor's report or performing other audit, review or attest services for the Company and the compensation of the external auditor and, as necessary, review and recommend to the Board the discharge of the external auditor.

4.3.2 In the event of a change of external auditor, the Committee shall review all issues and provide documentation to the Board related to the change, including the information to be included in the Notice of Change of Auditors and the planned steps for an orderly transition period.

4.3.3 The Committee shall engage the external auditor for the purpose of preparing or issuing the auditor's report or performing other audit, review or attest services for the Company.

4.3.4 The Committee shall review the audit scope and plan of the external auditor.

4.3.5 The external auditor shall report directly to the Committee.

4.3.6 The Committee will review and discuss with management and the external auditor, as appropriate, at the completion of the annual audit and each quarterly review:

a) the external auditor's audit or review of the financial statements and its report thereon;

b) any significant changes required to be made in the external auditor's audit plan;

c) any serious difficulties or disputes between management and the external auditor during the course of the quarterly review or annual audit;

d) any improper influence by officers on the external auditor;

e) any special audit or review steps adopted in light of material control deficiencies;

f) the summary of adjusted and unadjusted differences;

g) any related findings and recommendations of the external auditor together with management's responses including the status of previous recommendations; and

h) any other matters related to the conduct of the external audit, which are to be communicated to the Committee by the external auditor under generally accepted auditing standards.

4.3.7 The Committee shall take reasonable steps to confirm the independence of the external auditor, which shall include but shall not be limited to:

a) ensuring receipt, at least annually, from the external auditor of a formal written statement delineating all relationships between the external auditor and the Company, including non-audit services provided to the Company;

b) considering and discussing with the external auditor any disclosed relationships or services, including non-audit services, that may impact the objectivity and independence of the external auditor;

c) enquiring into and determining the appropriate resolution of any conflict of interest in respect of the external auditor;

d) reviewing and approving the Company's hiring policies regarding the hiring of partners, employees and former partners and employees of the Company's existing and former external auditor;

e) requesting the rotation of the lead audit partner every five (5) years; and

f) giving consideration to the rotation of the audit firm on a periodic basis.

4.3.8 The Committee shall pre-approve any non-audit services to be provided to the Company or its subsidiaries by the external auditor except that the Committee has delegated a deminimus level of $20,000 per annum to the Audit Committee Chair who will report to the Audit Committee at their next meeting of any work approved within this limit.

4.3.9 The Committee will review the nature of work performed by audit firms (other than the external auditor) to ensure that at least one of the nationally recognized firms remains independent in the event a change in external auditor is necessary or desired.

**4.4 Internal Audit Function**

4.4.1 The Committee will determine if an internal audit function should exist taking into account any legislative or listing requirements.

4.4.2 The individual responsible for the internal auditor function reports administratively to the President and has a functional reporting relationship to the Chair of the Committee.

4.4.3 The Committee will review management's proposed appointment, termination or replacement of the internal audit function. If the Company out-sources its internal audit function, the Company's external auditor cannot be engaged to perform such services.

4.4.4 The Committee will review the responsibility and charter as well as the effectiveness of the internal audit function on an annual basis. The effectiveness assessment will include a review of its reporting relationships, activities, resources, its independence from management and its working relationship with the external auditor.

4.4.5 The Committee will review and approve the annual internal audit plan, scope of work and ensure that the internal audit plan is coordinated with the activities of the external auditor.

4.4.6 The Committee will review all internal audit reports and management's responses.

**4.5 Risk Management**

The Committee shall review the significant financial risks and approve the Company's policies to manage such financial risk including the *Antifraud Policy*.

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**4.6 Ethics Reporting**

4.6.1 The Committee is responsible for the establishment of a policy and procedures for:

a) the receipt, retention and treatment of any complaint received by the Company regarding financial reporting, accounting, internal accounting controls or auditing matters; and

b) the confidential, anonymous submissions by employees of the Company of concerns regarding questionable accounting or auditing matters.

4.6.2 The Committee will review, on a timely basis, serious violations of the Code of Conduct and Ethics Policy including all instances of fraud.

4.6.3 The Committee will review on a summary basis at least quarterly all reported violations of the Code of Conduct and Ethics Policy.

**4.7 Legal and Regulatory Compliance**

4.7.1 The Committee will review any litigation, claim or other contingent liability, including any tax reassessment that could have a material effect on the financial statements.

4.7.2 The Committee will review compliance with applicable financial, tax or securities regulations and the accuracy and timeliness of filings with regulators.

4.7.3 The Committee will review compliance by management in filing and paying all statutory withholdings within the prescribed time.

| Prepared By: | Approved By: | Date of Approval and Issue: |
|---|---|---|
| /s/ Vincent Gallant<br>Vincent Gallant<br>Vice President,<br>Corporate and Secretary | /s/ Allen Sello<br>Allen Sello, Chair Audit Committee | December 7, 2006 |

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**Appendix A: Audit Committee Financial Expert**

At least one member of the Committee shall be an "audit committee financial expert" who shall possess the attributes outlined below:

1. An understanding of generally accepted accounting principles and financial statements;
2. The ability to assess the general application of generally accepted accounting principles in connection with the accounting for estimates, accruals and reserves;
3. Experience in preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience in actively supervising one or more persons engaged in such activities;
4. An understanding of internal control over financial reporting;
5. An understanding of audit committee functions;
6. As provided in the rules of the SEC, the designation or identification of a person as an audit committee financial expert does not (a) impose on that person any duties, obligations or liability that are greater than the duties, obligations or liability imposed on that person as a member of the Committee and the Board in the absence of such designation or identification or (b) affect the duties, obligations or liability of any other member of the Committee or the Board; and
7. A member of the Committee may qualify as an audit committee financial expert as a result of his or her:
   (a) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
   (b) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
   (c) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
   (d) other relevant experience.

Exhibit 99.2

**NORTH AMERICAN ENERGY PARTNERS INC.**

**Consolidated Financial Statements**

**For the years ended March 31, 2011, 2010 and 2009**
**(Expressed in thousands of Canadian Dollars)**

**KPMG LLP**
**Chartered Accountants**
10125 – 102 Street
Edmonton AB T5J 3V8
Canada

Telephone (780) 429-7300
Fax (780) 429-7379
Internet www.kpmg.ca

**INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and Board of Directors of North American Energy Partners Inc.

We have audited North American Energy Partners Inc.'s internal control over financial reporting as of March 31, 2011, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). North American Energy Partners Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in Management's Report on Internal Control over Financial Reporting in the accompanying Management's Discussion and Analysis for the year ended March 31, 2011. Our responsibility is to express an opinion on North American Energy Partners Inc.'s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, North American Energy Partners Inc. maintained, in all material respects, effective internal control over financial reporting as of March 31, 2011, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of North American Energy Partners Inc. as at March 31, 2011 and 2010, and the consolidated statements of operations and comprehensive (loss) income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2011, and our report dated June 2, 2011, expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Chartered Accountants

Edmonton, Canada
June 2, 2011

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.

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**INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and Board of Directors of North American Energy Partners Inc.

We have audited the accompanying consolidated financial statements of North American Energy Partners Inc., which comprise the consolidated balance sheets as at March 31, 2011 and 2010, and the consolidated statements of operations and comprehensive (loss) income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of North American Energy Partners Inc. as at March 31, 2011 and 2010 and its consolidated results of operations and its consolidated cash flows for each of the years in the three-year period ended March 31, 2011 in accordance with US generally accepted accounting principles.

*Other Matter*
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the North American Energy Partners Inc.'s internal control over financial reporting as of March 31, 2011, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 2, 2011 expressed an unmodified opinion on the effectiveness of the North American Energy Partners Inc.'s internal control over financial reporting.

KPMG LLP

Chartered Accountants

Edmonton, Canada
June 2, 2011

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.

# Consolidated Balance Sheets

As at March 31
(Expressed in thousands of Canadian Dollars)

| | 2011 | 2010 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $722 | $103,005 |
| Accounts receivable, net (note 7 and 22(d)) | 128,482 | 111,884 |
| Unbilled revenue (note 8) | 102,939 | 84,702 |
| Inventories (note 9) | 7,735 | 3,047 |
| Prepaid expenses and deposits (note 10) | 8,269 | 6,881 |
| Investment in and advances to unconsolidated joint venture (note 11) | 1,488 | – |
| Deferred tax assets (note 18) | 1,729 | 3,481 |
| | **251,364** | **313,000** |
| Property, plant and equipment, net (note 13) | 321,864 | 331,355 |
| Other assets (note 12(a)) | 26,908 | 22,154 |
| Goodwill (note 5) | 32,901 | 25,111 |
| Deferred tax assets (note 18) | 49,920 | 15,300 |
| **Total Assets** | **$682,957** | **$706,920** |
| **Liabilities and Shareholders' Equity** | | |
| Current liabilities | | |
| Accounts payable | $86,053 | $66,876 |
| Accrued liabilities (note 14) | 32,814 | 47,191 |
| Billings in excess of costs incurred and estimated earnings on uncompleted contracts (note 8) | 2,004 | 1,614 |
| Current portion of capital lease obligations (note 15) | 4,862 | 5,053 |
| Current portion of term facilities (note 16(b)) | 10,000 | 6,072 |
| Current portion of derivative financial instruments (note 22(a)) | 2,474 | 22,054 |
| Deferred tax liabilities (note 18) | 27,612 | 16,781 |
| | **165,819** | **165,641** |
| Capital lease obligations (note 15) | 3,831 | 8,340 |
| Long term debt (note 16(a)) | 286,970 | 225,494 |
| Derivative financial instruments (note 22(a)) | 9,054 | 75,001 |
| Other long term obligations (note 17(a)) | 25,576 | 19,642 |
| Deferred tax liabilities (note 18) | 44,441 | 31,744 |
| | **535,691** | **525,862** |
| **Shareholders' equity** | | |
| Common shares (authorized – unlimited number of voting common shares; issued and outstanding – March 31, 2011 – 36,242,526 (March 31, 2010 – 36,049,276) (note 19(a)) | 304,854 | 303,505 |
| Additional paid-in capital | 7,007 | 7,439 |
| Deficit | (164,536) | (129,886) |
| Accumulated other comprehensive loss | (59) | – |
| | **147,266** | **181,058** |
| **Total liabilities and shareholders' equity** | **$682,957** | **$706,920** |
| Commitments (note 26) | | |
| Contingencies (note 29) | | |

Approved on behalf of the Board

/s/ Ronald A. McIntosh
Ronald A. McIntosh, Director

/s/ Allen R. Sello
Allen R. Sello, Director

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Operations and Comprehensive (Loss) Income

For the years ended March 31
(Expressed in thousands of Canadian Dollars, except per share amounts)

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| **Revenue** | **$858,048** | **$758,965** | **$972,536** |
| Project costs | 456,119 | 301,307 | 505,026 |
| Equipment costs | 234,933 | 209,408 | 217,120 |
| Equipment operating lease expense | 69,420 | 66,329 | 43,583 |
| Depreciation | 39,440 | 42,636 | 36,389 |
| **Gross profit** | **58,136** | **139,285** | **170,418** |
| General and administrative expenses | 59,932 | 62,530 | 74,460 |
| Loss on disposal of property, plant and equipment | 1,948 | 1,233 | 5,325 |
| Loss on disposal of assets held for sale (note 12(b)) | 825 | 373 | 24 |
| Amortization of intangible assets (note 12(c)) | 3,540 | 1,719 | 1,501 |
| Equity in loss (earnings) of unconsolidated joint venture (note 11) | 2,720 | (44) | – |
| Impairment of goodwill (note 5) | – | – | 176,200 |
| **Operating (loss) income before the undernoted** | **(10,829)** | **73,474** | **(87,092)** |
| Interest expense, net (note 20) | 29,991 | 26,080 | 29,612 |
| Foreign exchange (gain) loss | (1,659) | (48,901) | 47,272 |
| Realized and unrealized (gain) loss on derivative financial instruments (note 22(a)) | (2,305) | 54,411 | (37,250) |
| Loss on debt extinguishment (note 16(c)) | 4,346 | – | – |
| Other income | (104) | (14) | (5,955) |
| **(Loss) income before income taxes** | **(41,098)** | **41,898** | **(120,771)** |
| Income taxes (note 18): | | | |
| Current | 2,892 | 3,803 | 5,546 |
| Deferred | (9,340) | 9,876 | 9,087 |
| **Net (loss) income** | **(34,650)** | **28,219** | **(135,404)** |
| **Other comprehensive loss** | | | |
| Unrealized foreign currency translation loss | 59 | – | – |
| **Comprehensive (loss) income** | **(34,709)** | **28,219** | **(135,404)** |
| **Net (loss) income per share – basic (note 19(b))** | **$(0.96)** | **$0.78** | **$(3.76)** |
| **Net (loss) income per share – diluted (note 19(b))** | **$(0.96)** | **$0.77** | **$(3.76)** |

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Changes in Shareholders' Equity

(Expressed in thousands of Canadian Dollars)

| | Common shares | Additional paid-in capital | Deficit | Accumulated other comprehensive loss | Total |
|---|---|---|---|---|---|
| **Balance at March 31, 2008** | **$301,894** | **$4,351** | **$(22,701)** | **$–** | **$283,544** |
| Net loss | – | – | (135,404) | – | (135,404) |
| Share option plan | – | 1,888 | – | – | 1,888 |
| Deferred performance share unit plan | – | 61 | – | – | 61 |
| Reclassification on exercise of stock options | 834 | (834) | – | – | – |
| Issued upon exercise of stock options | 703 | – | – | – | 703 |
| **Balance at March 31, 2009** | **$303,431** | **$5,466** | **$(158,105)** | **$–** | **$150,792** |
| Net income | – | – | 28,219 | – | 28,219 |
| Share option plan | – | 2,135 | – | – | 2,135 |
| Deferred performance share unit plan | – | 123 | – | – | 123 |
| Reclassified to restricted share unit liability | – | (20) | – | – | (20) |
| Reclassification on exercise of stock options | 21 | (21) | – | – | – |
| Cash settlement of stock options | – | (244) | – | – | (244) |
| Issued upon exercise of stock options | 53 | – | – | – | 53 |
| **Balance at March 31, 2010** | **$303,505** | **$7,439** | **$(129,886)** | **$–** | **$181,058** |
| Net loss | – | – | (34,650) | – | (34,650) |
| Unrealized foreign currency translation loss | – | – | – | (59) | (59) |
| Share option plan | – | 1,455 | – | – | 1,455 |
| Deferred performance share unit plan | – | (44) | – | – | (44) |
| Stock award plan | – | 780 | – | – | 780 |
| Reclassification on exercise of stock options | 386 | (386) | – | – | – |
| Issued upon exercise of stock options | 963 | – | – | – | 963 |
| Senior executive stock option plan | – | (2,237) | – | – | (2,237) |
| **Balance at March 31, 2011** | **$304,854** | **$7,007** | **$(164,536)** | **$(59)** | **$147,266** |

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

For the years ended March 31
(Expressed in thousands of Canadian Dollars)

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| Cash (used in) provided by: | | | |
| **Operating activities:** | | | |
| Net (loss) income for the period | $(34,650) | $28,219 | $(135,404) |
| Items not affecting cash: | – | – | – |
| Depreciation | 39,440 | 42,636 | 36,389 |
| Equity in loss (earnings) of unconsolidated joint venture (note 11) | 2,720 | (44) | – |
| Amortization of intangible assets (note 12(c)) | 3,540 | 1,719 | 1,501 |
| Impairment of goodwill (note 5) | – | – | 176,200 |
| Amortization of deferred lease inducements (note 17(b)) | (107) | (107) | (105) |
| Amortization of deferred financing costs (note 12(d)) | 1,609 | 3,348 | 2,970 |
| Loss on disposal of property, plant and equipment | 1,948 | 1,233 | 5,325 |
| Loss on disposal of assets held for sale (note 12(b)) | 825 | 373 | 24 |
| Realized and unrealized foreign exchange (gain) loss on 8 3/4% senior notes | (732) | (48,920) | 46,466 |
| Unrealized (gain) loss on derivative financial instruments measured at fair value | (2,305) | 38,852 | (39,921) |
| Loss on debt extinguishment (note 16(c)) | 4,346 | – | – |
| Stock-based compensation expense (note 28(a)) | 8,156 | 5,270 | 2,305 |
| Cash settlement of stock options (note 28(b)) | – | (244) | – |
| Accretion of asset retirement obligation (note 17(c)) | 35 | 5 | 155 |
| Deferred income taxes (benefit) (note 18) | (9,340) | 9,876 | 9,087 |
| Net changes in non-cash working capital (note 23(b)) | (15,982) | (39,591) | 46,193 |
| | **(497)** | **42,625** | **151,185** |
| **Investing activities:** | | | |
| Acquisition, net of cash acquired (note 6) | (23,501) | (5,410) | – |
| Purchase of property, plant and equipment | (36,417) | (51,888) | (87,102) |
| Additions to intangible assets (note 12(c)) | (4,748) | (3,362) | (3,102) |
| Investment in and advances to unconsolidated joint venture (note 11) | (1,291) | (2,873) | – |
| Proceeds on disposal of property, plant and equipment | 499 | 1,440 | 11,164 |
| Proceeds on disposal of assets held for sale | 826 | 2,482 | 325 |
| | **(64,632)** | **(59,611)** | **(78,715)** |
| **Financing activities:** | | | |
| Repayment of credit facilities | (85,000) | (6,906) | – |
| Increase in credit facilities | 128,524 | 34,700 | – |
| Financing costs (note 16(b) and (d)) | (7,920) | (1,123) | – |
| Redemption of 8 3/4% senior notes (note 16(c)) | (202,410) | – | – |
| Issuance of Series 1 Debentures (note 16(d)) | 225,000 | – | – |
| Settlement of swap liabilities (note 22(a)) | (91,125) | – | – |
| Proceeds from stock options exercised (note 28(b)) | 963 | 53 | 703 |
| Repayment of capital lease obligations | (5,127) | (5,613) | (6,156) |
| | **(37,095)** | **21,111** | **(5,453)** |
| **(Decrease) increase in cash and cash equivalents** | **(102,224)** | **4,125** | **67,017** |
| Effect of exchange rate on changes in cash | (59) | – | – |
| Cash and cash equivalents, beginning of year | 103,005 | 98,880 | 31,863 |
| **Cash and cash equivalents, end of year** | **$722** | **$103,005** | **$98,880** |

Supplemental cash flow information (note 23(a))

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

For the years ended March 31, 2011, 2010, 2009
(Expressed in thousands of Canadian Dollars, except per share amounts or unless otherwise specified)

**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 mining and environmental services, heavy construction, industrial and commercial site development and pipeline and piling installations. The Company also designs and manufactures screw piles, provides tank maintenance services to the petro-chemical industry across Canada and the United States and sells pipeline anchoring systems globally.

**2. Significant accounting policies**

**a) Basis of presentation**

These consolidated financial statements are prepared in accordance with United States generally accepted accounting principles ("US GAAP"). Material inter-company transactions and balances are eliminated upon consolidation. Material items that give rise to measurement and disclosure differences to the consolidated financial statements under Canadian GAAP are outlined in note 31.

These consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, NACGI, North American Fleet Company Ltd., North American Construction Projects Inc., North American Major Mining Projects Inc., North American Construction Management Inc. and NACG Properties Inc., and the following 100% owned subsidiaries of NACGI:

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

**b) Use of estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures reported in these consolidated financial statements and accompanying notes and the reported amounts of revenues and expenses during the reporting period.

Significant estimates made by management include the assessment of the percentage of completion on time-and-materials, unit-price and lump-sum contracts (including estimated total costs and provisions for estimated losses) and the recognition of claims and change orders on revenue contracts; assumptions used to value free standing and embedded derivatives and other financial instruments; assumptions used in periodic impairment testing; and, estimates and assumptions used in the determination of the allowance for doubtful accounts, the recoverability of deferred tax assets and the useful lives of property, plant and equipment and intangible assets. Actual results could differ materially from those estimates.

The length of the Company's contracts varies from less than one year for typical contracts to several years for certain larger contracts. Contract project costs include all direct labour, material, subcontract and equipment costs and those indirect costs related to contract performance such as indirect labour, supplies, and tools. General and administrative expenses are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

The accuracy of the Company's revenue and profit recognition in a given period is dependent on the accuracy of its estimates of the cost to complete each project. Cost estimates for all of significant projects use a detailed "bottom up" approach and the Company believes its experience allows it to provide reasonably dependable estimates. There are a number of factors that can contribute to changes in estimates of contract cost and profitability that are recognized in the period in which such adjustments are determined. The most significant of these include:

- the completeness and accuracy of the original bid;
- costs associated with added scope changes (to the extent contract remedies are unavailable);

- extended overhead due to owner, weather and other delays (to the extent contract remedies are unavailable);
- subcontractor performance issues;
- changes in economic indices used for the determination of escalation or de-escalation for contractual rates on long-term contracts;
- changes in productivity expectations;
- site conditions that differ from those assumed in the original bid (to the extent contract remedies are unavailable);
- contract incentive and penalty provisions;
- the availability and skill level of workers in the geographic location of the project; and
- a change in the availability and proximity of equipment and materials.

The foregoing factors as well as the mix of contracts at different margins may cause fluctuations in gross profit between periods. With many projects of varying levels of complexity and size in process at any given time, changes in estimates can offset each other without materially impacting the Company's profitability. Major changes in cost estimates, particularly in larger, more complex projects, can have a significant effect on profitability.

**c) Revenue recognition**

The Company performs its projects under the following types of contracts: time-and-materials; cost-plus; unit-price; and lump-sum. Revenue is recognized as costs are incurred for time-and-materials and cost-plus service contracts with no clearly defined scope. Revenue on cost-plus, unit-price, lump-sum and time-and-materials contracts with defined scope is recognized using the percentage-of-completion method, measured by the ratio of costs incurred to date to estimated total costs. The estimated total cost of the contract and percent complete is determined based upon estimates made by management. The costs of items that do not relate to performance of contracted work, particularly in the early stages of the contract, are excluded from costs incurred to date. The resulting percent complete methodology is applied to the approved contract value to determine the revenue recognized. Customer payment milestones typically occur on a periodic basis over the period of contract completion.

The length of the Company's contracts varies from less than one year for typical contracts to several years for certain larger contracts. Contract project costs include all direct labour, material, subcontract and equipment costs and those indirect costs related to contract performance such as indirect labour, supplies, and tools. General and administrative expenses are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in project performance, project conditions, and estimated profitability, including those arising from contract penalty provisions and final contract settlements, may result in revisions to costs and revenue that are recognized in the period in which such adjustments are determined. Profit incentives are included in revenue when their realization is reasonably assured.

Once a project is underway, the Company will often experience changes in conditions, client requirements, specifications, designs, materials and work schedule. Generally, a "change order" will be negotiated with the customer to modify the original contract to approve both the scope and price of the change. Occasionally, however, disagreements arise regarding changes, their nature, measurement, timing and other characteristics that impact costs and revenue under the contract. When a change becomes a point of dispute between the Company and a customer, the Company will then consider it as a claim.

Costs related to unapproved change orders and claims are recognized when they are incurred.

Revenues related to unapproved change orders and claims are included in total estimated contract revenue only to the extent that contract costs related to the claim have been incurred and when it is probable that the unapproved change order or claim will result in:

- a bona fide addition to contract value; and
- revenues can be reliably estimated.

These two conditions are satisfied when:

- the contract or other evidence provides a legal basis for the unapproved change order or claim or a legal opinion is obtained providing a reasonable basis to support the unapproved change order or claim;
- additional costs incurred were caused by unforeseen circumstances and are not the result of deficiencies in the Company's performance;
- costs associated with the unapproved change order or claim are identifiable and reasonable in view of work performed; and
- evidence supporting the unapproved change order or claim is objective and verifiable.

This can lead to a situation where costs are recognized in one period and revenue is recognized when customer agreement is obtained or claim resolution occurs, which can be in subsequent periods. Historical claim recoveries should not be considered indicative of future claim recoveries.

The Company's long term contracts typically allow its customers to unilaterally reduce or eliminate the scope of the work as contracted without cause. These long term contracts represent higher risk due to uncertainty of total contract value and estimated costs to complete; therefore, potentially impacting revenue recognition in future periods.

A contract is regarded as substantially completed when remaining costs and potential risks are insignificant in amount.

The Company recognizes revenue from the sale of its other products and services as follows:

- Revenue recognition from equipment rentals occurs when there is a written arrangement in the form of a contract or purchase order with the customer, a fixed or determinable sales price is established with the customer, performance requirements are achieved, and ultimate collection of the revenue is reasonably assured. Equipment rental revenue is recognized as performance requirements are achieved in accordance with the terms of the relevant agreement with the customer, either at a monthly fixed rate or on a usage basis dependent on the number of hours that the equipment is used;
- Revenue from tank services is provided based upon orders and contracts with the customer that include fixed or determinable prices based upon daily, hourly or job rates and is recognized as the services are provided to the customer; and
- Revenue from anchor manufacturing and product sales is recognized when the products are shipped to the customer.

The Company recognizes revenue from the foregoing activities once persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, fees are fixed and determinable and collectability is reasonably assured.

**d) Balance sheet classifications**

A one-year time period is typically used as the basis for classifying all other current assets and liabilities. However, included in current assets and liabilities are amounts receivable and payable under construction contracts (principally holdbacks) that may extend beyond one year.

**e) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, bank balances net of outstanding cheques and short-term investments with maturities of three months or less when purchased.

**f) Accounts receivable and unbilled revenue**

Accounts receivable in the accompanying Consolidated Balance Sheets are primarily comprised of amounts billed to clients for services already provided, but which have not yet been collected. Unbilled revenue represents revenue recognized in advance of amounts billed to clients.

**g) Billings in excess of costs incurred and estimated earnings on uncompleted contracts**

Billings in excess of costs incurred and estimated earnings on uncompleted contracts represent amounts invoiced in excess of revenue recognized.

**h) Allowance for doubtful accounts**

The Company evaluates the probability of collection of accounts receivable and records an allowance for doubtful accounts, which reduces accounts receivable to the amount management reasonably believes will be collected. In determining the amount of the allowance, the following factors are considered: the length of time the receivable has been outstanding, specific knowledge of each customer's financial condition and historical experience.

**i) Inventories**

Inventories are carried at the lower of weighted average cost and market, and consist primarily of spare tires, job materials, manufacturing raw materials and finished goods. Finished goods cost includes raw materials, labour and a reasonable allocation of appropriate overhead costs.

**j) Property, plant and equipment**

Property, plant and equipment are recorded at cost. Major components of heavy construction equipment in use such as engines and drive trains are recorded separately. Equipment under capital lease is recorded at the present value of minimum lease payments at the inception of the lease. Depreciation is not recorded until an asset is available for use. Depreciation for each category is calculated based on the cost, net of the estimated residual value, over the estimated useful life of the assets on the following bases and annual rates:

| Assets | Basis | Rate |
|---|---|---|
| Heavy equipment | Straight-line | Operating hours |
| Major component parts in use | Straight-line | Operating hours |
| Other equipment | Straight-line | 5 – 10 years |
| Licensed motor vehicles | Declining balance | 30% |
| Office and computer equipment | Straight-line | 4 years |
| Buildings | Straight-line | 10 years |
| Leasehold improvements | Straight-line | Over shorter of estimated useful life and lease term |
| Assets under capital lease | Declining balance | 30% |

The costs for periodic repairs and maintenance are expensed to the extent the expenditures serve only to restore the assets to their normal operating condition without enhancing their service potential or extending their useful lives.

**k) Capitalized interest**

The Company capitalizes interest incurred on debt during the construction of assets for the Company's own use. The capitalization period covers the duration of the activities required to get the asset ready for its intended use, provided that expenditures for the asset have been made and interest cost incurred. Interest capitalization continues as long as those activities and the incurrence of interest cost continue. The capitalized interest is amortized at the same rate as the respective asset.

**l) Goodwill**

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is not amortized but instead is tested for impairment annually or more frequently if events or changes in circumstances indicate that it may be impaired. Goodwill is assigned, as of the date of the business combination, to reporting units that are expected to benefit from the business combination. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit, including goodwill, is compared to its fair value. When the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case, the implied fair value of the reporting unit's goodwill, determined in the same manner as the value of goodwill is determined in a business combination, is compared with its carrying amount to measure the amount of the impairment loss, if any.

The Company performs its annual goodwill assessment on October 1 of each year and when a triggering event occurs between annual impairment tests.

**m) Intangible assets**

Intangible assets include:

- Customer relationships and backlog, which are being amortized over the remaining lives of the related contracts and relationships;
- trade names, which are being amortized on a straight-line basis over their estimated useful lives of between five and ten years;
- non-competition agreements, which are being amortized on a straight-line basis between the three and five-year terms of the respective agreements;
- capitalized computer software and development costs, which are being amortized on a straight-line basis over a maximum period of four years; and
- patents, which are being amortized on a straight-line basis over estimated useful lives of up to six years.

The Company expenses or capitalizes costs associated with the development of internal-use software as follows:

*Preliminary project stage*: Both internal and external costs incurred during this stage are expensed as incurred.

*Application development stage*: Both internal and external costs incurred to purchase and develop computer software are capitalized after the preliminary project stage is completed and management authorizes the computer software project. However, training costs and the process of data conversion from the old system to the new system, which includes purging or cleansing of existing data, reconciliation or balancing of old data to the converted data in the new system, are expensed as incurred.

*Post implementation/operation stage*: All training costs and maintenance costs incurred during this stage are expensed as incurred.

Costs of upgrades and enhancements are capitalized if the expenditures will result in adding functionality to the software.

**n) Impairment of long-lived assets**

Long-lived assets or asset groups held and used including plant, equipment and identifiable intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of an asset or group of assets is less than its carrying amount, it is considered to be impaired. The Company measures the impairment loss as the amount by which the carrying amount of the asset or group of assets exceeds its fair value, which is charged to depreciation or amortization expense. In determining whether an impairment exists, the Company makes assumptions about the future cash flows expected from the use of its long-lived assets, such as: applicable industry performance and prospects; general business and economic conditions that prevail and are expected to prevail; expected growth; maintaining its customer base; and, achieving cost reductions. There can be no assurance that expected future cash flows will be realized, or will be sufficient to recover the carrying amount of long-lived assets. Furthermore, the process of determining fair values is subjective and requires management to exercise judgment in making assumptions about future results, including revenue and cash flow projections and discount rates.

**o) Assets held for sale**

Long-lived assets are classified as held for sale when certain criteria are met, which include:

- management, having the authority to approve the action, commits to a plan to sell the assets;
- the assets are available for immediate sale in their present condition;
- an active program to locate buyers and other actions to sell the assets have been initiated;
- the sale of the assets is probable and their transfer is expected to qualify for recognition as a completed sale within one year;
- the assets are being actively marketed at reasonable prices in relation to their fair value; and
- it is unlikely that significant changes will be made to the plan to sell the assets or that the plan will be withdrawn.

Assets to be disposed of by sale are reported at the lower of their carrying amount or fair value less costs to sell and are disclosed separately on the Consolidated Balance Sheets. These assets are not depreciated.

**p) Asset retirement obligations**

Asset retirement obligations are legal obligations associated with the retirement of property, plant and equipment that result from their acquisition, lease, construction, development or normal operations. The Company recognizes its contractual obligations for the retirement of certain tangible long-lived assets. The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value of a liability for an asset retirement obligation is the amount at which that liability could be settled in a current transaction between willing parties, that is, other than in a forced or liquidation transaction and, in the absence of observable market transactions, is determined as the present value of expected cash flows. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and then amortized using a systematic and rational method over its estimated useful life. In subsequent reporting periods, the liability is adjusted for the passage of time through an accretion charge and any changes in the amount or timing of the underlying future cash flows are recognized as an additional asset retirement cost.

**q) Foreign currency translation**

The functional currency of the Company and the majority of its subsidiaries 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.

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.

**r) Fair value measurement**

Fair value measurements are categorized using a valuation hierarchy for disclosure of the inputs used to measure fair value, which prioritizes the inputs into three broad levels. Fair values included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Fair values included in Level 2 include valuations using inputs based on observable market data, either directly or indirectly other than the quoted prices. Level 3 valuations are based on inputs that are not based on observable market data. The classification of a fair value within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

**s) Derivative financial instruments**

The Company uses derivative financial instruments to manage financial risks from fluctuations in exchange rates and interest rates. These instruments include cross-currency and interest rate swap agreements as well as embedded price escalation features in revenue and supplier contracts. All such instruments are only used for risk management purposes. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. Derivative financial instruments are subject to standard credit terms and conditions, financial controls, management and risk monitoring procedures. These derivative financial instruments are not designated as hedges for accounting purposes and are recorded at fair value with realized and unrealized gains and losses recognized in the Consolidated Statements of Operations.

**t) Income taxes**

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized based on the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in income in the

period of enactment. The Company recognizes the effect of income tax positions only if those positions are more likely than not (greater than 50%) of being sustained. Changes in recognition or measurement are reflected in the period in which the change in judgement occurs. The Company accrues interest and penalties for uncertain tax positions in the period in which these uncertainties are identified. Interest and penalties are included in “Other income” in the Consolidated Statements of Operations. A valuation allowance is recorded against any deferred tax asset if it is more likely than not that the asset will not be realized.

**u) Stock-based compensation**

The Company has a Share Option Plan which is described in note 28(b). The Company accounts for all stock-based compensation payments that are settled by the issuance of equity instruments at fair value. Compensation cost is measured using the Black-Scholes model at the grant date and is expensed on a straight-line basis over the award’s vesting period, with a corresponding increase to additional paid-in capital. Upon exercise of a stock option, share capital is recorded at the sum of proceeds received and the related amount of additional paid-in capital.

The Company has a Senior Executive Stock Option Plan which is described in note 28(c). This compensation plan allows the option holder the right to settle options in cash. The liability is measured at fair value using the Black-Scholes model at the modification date and subsequently at each period end date. Changes in fair value of the liability are recognized in the Consolidated Statements of Operations.

The Company has a Deferred Performance Share Unit (“DPSU”) Plan which is described in note 28(d). This compensation plan is settled, at the Company’s option, either by the issuance of equity instruments or by cash payment. Compensation cost is measured using the Black-Scholes model at the grant date and is expensed on a straight-line basis over the award’s vesting period, with a corresponding increase to additional paid-in capital. The vesting of awards under the DPSU plan is contingent upon certain performance criteria being achieved. The fair value of each share option grant under the DPSU plan assumes that the relevant performance criteria will be achieved and compensation cost is recorded to the extent that vesting of the award is considered probable. When it is determined that such criteria are not probable of being achieved, no compensation cost is recognized and any previously recognized compensation cost is reversed.

The Company has a Restricted Share Unit (“RSU”) Plan which is described in note 28(e). RSUs are granted effective April 1 of 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 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 three-year term of the RSU in the Consolidated Statements of Operations.

The Company has a Director’s Deferred Stock Unit (“DDSU”) Plan which is described in note 28(f). The DDSU plan enables directors to receive all or a portion of their fee for that fiscal year in the form of deferred stock units. The deferred stock units are settled in cash and are classified as a liability on the Consolidated Balance Sheets. The measurement of the liability and compensation costs for these awards is based on the fair value of the unit and is recorded as a charge to operating income when issued. Subsequent changes in the Company’s payment obligation after issuing the unit and prior to the settlement date are recorded as a charge to operating income in the period such changes occur.

The Company has a Stock Award Plan which is described in note 28(g). The stock awards are settled at the Company’s option, either by the issuance of equity instruments if all necessary shareholder approvals and regulatory approvals are obtained or by cash payment. Compensation cost is measured using the Black-Scholes model at the grant date and is expensed on a straight-line basis over the award’s vesting period, with a corresponding increase to additional paid-in capital.

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

Basic net income (loss) per share is computed by dividing net income available to common shareholders by the weighted average number of shares outstanding during the year (see note 19(b)). Diluted per share amounts are calculated using the treasury stock method. The treasury stock method increases the diluted weighted average shares outstanding to include additional shares from the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming outstanding in-the-money stock options were exercised and the proceeds from such exercises, including any unamortized stock-based compensation cost, were used to acquire shares of common stock at the average market price during the year.

**w) Leases**

Leases entered into by the Company in which substantially all the benefits and risks of ownership are transferred to the Company are recorded as obligations under capital leases, and under the corresponding category of property, plant and equipment. Obligations under capital leases reflect the present value of future lease payments, discounted at an appropriate interest rate, and are reduced by rental payments net of imputed interest. All other leases are classified as operating leases and leasing costs, including any rent holidays, leasehold incentives, and rent concessions, are amortized on a straight-line basis over the lease term.

Certain operating lease and rental agreements provide a maximum hourly usage limit, above which the Company will be required to pay for the over hour usage as a contingent rent expense. These contingent expenses are recognized when the

achievement of specified targets is considered probable and are due at the end of the lease term or rental period. The contingent rental expenses are included in “Equipment operating lease expense” in the Consolidated Statements of Operations.

**x) Deferred financing costs**

Underwriting, legal and other direct costs incurred in connection with the issuance of debt not measured under the fair value option are presented as deferred financing costs. The deferred financing costs related to the senior notes, debentures and the revolving and term loan facilities are amortized over the term of the related debt using the effective interest method.

**y) Investments in unconsolidated joint ventures or affiliates**

Investments in unconsolidated joint ventures or affiliates over which the Company has significant influence including the Company’s investment in Noramac Ventures Inc. are accounted for under the equity method of accounting, whereby the investment is carried at the cost of acquisition, including subsequent capital contributions and loans from the Company, plus the Company’s equity in undistributed earnings or losses since acquisition. Investments in unconsolidated joint ventures are included as investment in and advances to unconsolidated joint venture in the Company’s Consolidated Balance Sheets.

**z) Business combinations**

The Company accounts for all business combinations using the acquisition method. Acquisition related costs which include finder’s fees, advisory, legal, accounting, valuation, other professional or consulting fees, and administrative costs are expensed as incurred.

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

**a) 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 on 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 consolidated financial statements.

**b) 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 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 consolidated financial statements.

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

**a) 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 adoption of this ASU will not have a material effect on the Company’s consolidated financial statements.

**b) 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 adoption of this ASU will not have a material effect on the Company’s consolidated financial statements.

**c) 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. The adoption of this ASU will not have a material effect on the Company's consolidated financial statements.

**d) Business Combinations**

In December 2010, the FASB issued ASU No. 2010-29, "Disclosure of Supplementary Pro Forma Information for Business Combinations", which amends ASC 805, "Business Combinations", to require that pro-forma information be presented as if the business combination occurred at the beginning of the prior annual reporting period for the purposes of calculating both the current reporting period and the prior reporting period pro forma financial information. The ASU also requires the disclosure be accompanied by a narrative description of the nature and amount of material, nonrecurring pro forma adjustments. For the Company, this ASU is effective prospectively for business combinations for which the acquisition date is on or after April 1, 2011. This standard will impact disclosures made for business combinations completed by the Company after the effective date.

**5. Goodwill**

In accordance with the Company's accounting policy, a goodwill impairment test is completed on October 1 of each fiscal year or whenever events or changes in circumstances indicate that impairment may exist. The Company conducted its annual goodwill impairment tests on October 1, 2010 and 2009 and concluded that there was no goodwill impairment as the fair value of the Piling reporting unit exceeded its carrying value. There were no triggering events between October 1, 2010 and March 31, 2011.

The changes in goodwill during the years ended March 31, 2011, 2010 and 2009 are as follows:

| | |
|---|---|
| Balance at March 31, 2008 | $200,072 |
| Impairment of goodwill (assigned to Pipeline segment) | (32,753) |
| Impairment of goodwill (assigned to Heavy Construction and Mining segment) | (125,447) |
| Impairment of goodwill (assigned to Piling segment) | (18,000) |
| Balance at March 31, 2009 | $23,872 |
| Acquisition of goodwill (assigned to the Piling segment) (note 6(b)) | 1,239 |
| Balance at March 31, 2010 | 25,111 |
| Acquisition of goodwill (assigned to the Piling segment) (note 6(a)) | 7,790 |
| Balance at March 31, 2011 | $32,901 |

**6. Acquisitions**

**a) Acquisitions in fiscal 2011**

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 consideration of $23,501. Cyntech is based in Calgary, Alberta and designs and manufactures screw piles and pipeline anchoring systems, and provides tank maintenance services to the petro-chemical industry. As a result of this acquisition, the Company gains access to screw piling, pipeline anchor design and manufacturing capabilities in Canada and the United States. The Company also gains oil and gas storage tank repair and maintenance capabilities which complement the Company's existing service offering. The transaction was accounted for using the acquisition method with the results of operations included in the financial statements from the date of acquisition. Acquisition related costs were recorded in general and administrative expenses. The goodwill acquired is deductible for tax purposes.

The following table summarizes the recognized amounts of the assets acquired and liabilities assumed at the acquisition date:

| | |
|---|---|
| Accounts receivable | $7,064 |
| Inventories | 1,646 |
| Prepaid expenses and deposits | 45 |
| Plant and equipment | 1,346 |
| Intangible assets | 7,284 |
| Accounts payable | (1,674) |
| Total identifiable net assets | $15,711 |
| Goodwill | 7,790 |
| Total consideration | $23,501 |

The revenue and net loss of Cyntech since acquisition on November 1, 2010 included in the Consolidated Statements of Operations and Comprehensive (Loss) Income for the year ended March 31, 2011 are $7,286 and $(1,588) respectively.

**b) Acquisitions in fiscal 2010**

On August 1, 2009, the Company acquired all of the issued and outstanding shares of DF Investments Limited and its subsidiary Drillco Foundation Co. Ltd., a piling company based in Milton, Ontario, for consideration of $5,410. This acquisition gives the Company access to piling markets and customers in the Toronto area. The transaction was 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 recognized amounts of assets acquired and liabilities assumed at the acquisition date are as follows:

| | |
|---|---|
| Accounts receivable | $4,101 |
| Inventories | 59 |
| Prepaid expenses and deposits | 11 |
| Property, plant and equipment | 2,873 |
| Land | 281 |
| Intangible assets | 547 |
| Accounts payable and accrued liabilities | (2,211) |
| Deferred tax liabilities | (838) |
| Long term debt | (652) |
| Total identifiable net assets | $4,171 |
| Goodwill | 1,239 |
| Total consideration | $5,410 |

**c) Acquisitions in fiscal 2009**

The Company did not acquire any businesses in fiscal 2009.

**7. Accounts receivable**

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Accounts receivable – trade | $115,660 | $103,311 |
| Accounts receivable – holdbacks | 12,018 | 3,899 |
| Income and other taxes receivable | 397 | 4,486 |
| Accounts receivable – other | 437 | 1,879 |
| Allowance for doubtful accounts (note 22(d)) | (30) | (1,691) |
| | $128,482 | $111,884 |

Accounts receivable – holdbacks represent amounts up to 10% under certain contracts that the customer is contractually entitled to withhold until completion of the project or until certain project milestones are achieved. Holdbacks include $587 as of March 31, 2011 (March 31, 2010—$727) which relate to contracts whereby the normal operating cycle is greater than one year and therefore are not expected to be collected within a year.

**8. Costs incurred and estimated earnings net of billings on uncompleted contracts**

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Costs incurred and estimated earnings on uncompleted contracts | $946,482 | $1,193,821 |
| Less billings to date | (845,547) | (1,110,733) |
| | $100,935 | $83,088 |

Costs incurred and estimated earnings net of billings on uncompleted contracts is presented in the Consolidated Balance Sheets under the following captions:

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Unbilled revenue | $102,939 | $84,702 |
| Billings in excess of costs incurred and estimated earnings on uncompleted contracts | (2,004) | (1,614) |
| | $100,935 | $83,088 |

An amount of $72,025 is recognized within unbilled revenue relating to a single long-term customer contract, whereby the normal operating cycle for this project is greater than one year. As described in Note 2(b) the estimated balances within unbilled revenue are subject to uncertainty concerning ultimate realization.

**9. Inventories**

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Spare tires | $3,794 | $1,868 |
| Job materials | 2,118 | 1,179 |
| Manufacturing raw materials | 926 | – |
| Finished goods | 897 | – |
| | $7,735 | $3,047 |

**10. Prepaid expenses and deposits**

| Current: | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Prepaid insurance and property taxes | $1,022 | $920 |
| Prepaid lease payments | 6,203 | 5,678 |
| Prepaid interest | 1,044 | 283 |
| | $8,269 | $6,881 |

| Long term: | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Prepaid lease payments (note 12(a)) | $2,354 | $4,005 |

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

The Company was engaged in a joint venture, Noramac Joint Venture (JV), of which the Company had joint control (50% proportionate interest). The JV was formed for the purpose of expanding the Company's market opportunities and establishing strategic alliances in Northern Alberta. The Company owned a 49% interest in Noramac Ventures Inc., a nominee company established by the two joint venture partners. On March 25, 2011, the Company and its joint venture partner decided to wind up Noramac Ventures Inc. and terminate the joint venture. At March 31, 2011, the assets and liabilities of the joint venture are stated at the lower of carrying value and fair market value less costs to sell. The difference between carrying value and fair market value of assets and liabilities was recognized in the income statement of the joint venture during the year ended March 31, 2011.

As of March 31, 2011, the Company's investment in and advances to the unconsolidated joint venture totalled $1,488 (2010 – $2,917; 2009 – $nil). The condensed financial data for investment in and advances to unconsolidated joint venture is summarized as follows:

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Current assets | $8,328 | $8,952 |
| Long term assets | – | 153 |
| Current liabilities | 13,875 | 3,271 |
| Long term liabilities | – | 5,940 |

| Year ended March 31, | 2011 | 2010 |
|---|---|---|
| Gross revenues | $12,196 | $8,774 |
| Gross loss (profit) | 2,483 | (1,610) |
| Net loss (income) | 5,440 | (87) |
| Equity in loss (earnings) of unconsolidated joint venture | $2,720 | $(44) |

**12. Other assets**

**a) Other assets are as follows:**

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Prepaid lease payments (note 10) | $2,354 | $4,005 |
| Assets held for sale (note 12(b)) | 721 | 838 |
| Intangible assets (note 12(c)) | 16,161 | 7,669 |
| Deferred financing costs (note 12(d)) | 7,672 | 6,725 |
| Investment in and advances to unconsolidated joint venture (note 11) | – | 2,917 |
| | $26,908 | $22,154 |

**b) Assets held for sale**

Equipment disposal decisions are made using an approach in which a target life is set for each type of equipment. The target life is based on the manufacturer's recommendations and the Company's past experience in the various operating environments. Once a piece of equipment reaches its target life it is evaluated to determine if disposal is warranted based on its expected operating cost and reliability in its current state. If the expected operating cost exceeds the average operating cost for the fleet, the unit is deemed ready for disposal. Also, if the expected reliability is lower than the average reliability of the fleet, the unit is deemed ready for disposal. If either of these conditions is met the unit is disposed. Expected operating costs and reliability are based on the past history of the unit and experience in the various operating environments. Assets held for sale are sold on the Company's used equipment website and syndicated on third party equipment sale websites. If a sale is not realized after a reasonable length of time, the equipment will be sent to auction for disposal.

During the year ended March 31, 2011, impairments of assets held for sale amounting to $141 have been included in depreciation expense in the Consolidated Statements of Operations (2010 – $806; 2009 – $883). The impairment charge is the amount by which the carrying value of the related assets exceeded their fair value less costs to sell. Loss on disposal of assets held for sale was $825 for the year ended March 31, 2011 (2010 – $373; 2009 – $24).

**c) Intangible assets**

| March 31, 2011 | Cost | Accumulated Amortization | Net Book Value |
|---|---|---|---|
| Customer relationships and backlog | $4,442 | $755 | $3,687 |
| Other intangible assets | 2,364 | 779 | 1,585 |
| Internal-use software | 15,469 | 6,441 | 9,028 |
| Patents | 2,017 | 156 | 1,861 |
| | $24,292 | $8,131 | $16,161 |

| March 31, 2010 | Cost | Accumulated Amortization | Net Book Value |
|---|---|---|---|
| Customer contracts in progress and related relationships | $624 | $329 | $295 |
| Other intangible assets | 915 | 531 | 384 |
| Internal-use software | 10,721 | 3,731 | 6,990 |
| | $12,260 | $4,591 | $7,669 |

During the year ended March 31, 2011, the Company capitalized $4,748 (2010 – $3,362) related to internally developed computer software. There was no write off of internal-use software included in amortization of intangible assets during the year ended March 31, 2011 (2010 – $208; 2009 – $nil).

Amortization of intangible assets for the year ended March 31, 2011 was $3,540 (2010 – $1,719; 2009 – $1,501). The estimated amortization expense for future years is as follows:

| For the year ending March 31, | |
|---|---|
| 2012 | $4,576 |
| 2013 | 4,217 |
| 2014 | 3,564 |
| 2015 | 2,039 |
| 2016 and thereafter | 1,765 |
| | $16,161 |

During the year ended March 31, 2011, $7,284 in additions, summarized in the table below, were made to intangible assets as a result of the acquisition of the assets of Cyntech Corporation and its wholly-owned subsidiary Cyntech Anchor Systems LLC (note 6(a)).

| | |
|---|---|
| Patents | $2,017 |
| Customer relationships | 3,818 |
| Non-compete agreements | 592 |
| Cyntech brand name | 857 |
| | $7,284 |

During the year ended March 31, 2010, $547 in additions were made to intangible assets as a result of the acquisition of DF Investments Limited and its subsidiary, Drillco Foundation Co. Ltd. (note 6(b)).

**d) Deferred financing costs**

| March 31, 2011 | Cost | Accumulated Amortization | Net Book Value |
|---|---|---|---|
| 8 3/4% senior notes | $16,521 | $16,521 | $– |
| Term and revolving facilities | 5,362 | 3,855 | 1,507 |
| Series 1 Debentures | 6,886 | 721 | 6,165 |
| | $28,769 | $21,097 | $7,672 |

| March 31, 2010 | Cost | Accumulated Amortization | Net Book Value |
|---|---|---|---|
| 8 3/4% senior notes | $16,521 | $12,014 | $4,507 |
| Term and 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 included in interest expense for the year ended March 31, 2011 was $1,609 (2010 – $3,348; 2009 – $2,970).

Upon redemption of the 8 3/4% senior notes on April 28, 2010, the unamortized deferred financing costs related to the 8 3/4% senior notes of $4,324 were expensed and included in the loss on debt extinguishment (note 16(c)). In addition, $183 related to amortization of deferred financing costs incurred up to the redemption date was included in interest expense.

During the year ended March 31, 2011, financing fees of $5,846 were incurred in connection with the issuance of the Series 1 Debentures (2010 – $1,040) (note 16(d)) and financing fees of $1,034 were incurred in connection with the modifications made to the amended and restated credit agreement (2010 – $1,123; 2009 – $nil) (note 16(b)).

**13. Property, plant and equipment**

| March 31, 2011 | Cost | Accumulated Deprecation | Net Book Value |
|---|---|---|---|
| Heavy equipment | $341,734 | $108,051 | $233,683 |
| Major component parts in use | 47,248 | 15,593 | 31,655 |
| Other equipment | 31,877 | 14,136 | 17,741 |
| Licensed motor vehicles | 21,368 | 16,592 | 4,776 |
| Office and computer equipment | 12,128 | 5,899 | 6,229 |
| Buildings | 21,657 | 8,176 | 13,481 |
| Land | 281 | — | 281 |
| Leasehold improvements | 9,422 | 3,856 | 5,566 |
| Assets under capital lease | 19,506 | 11,054 | 8,452 |
| | $505,221 | $183,357 | $321,864 |

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

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

During the year ended March 31, 2011, additions to property, plant and equipment included $427 of assets that were acquired by means of capital leases (2010 – $1,523; 2009 – $8,863). Depreciation of equipment under capital lease of $2,723 (2010 – $4,081; 2009 – $5,138) was included in depreciation expense.

**14. Accrued liabilities**

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Accrued interest payable | $9,866 | $14,725 |
| Payroll liabilities | 11,412 | 21,741 |
| Liabilities related to equipment leases | 7,518 | 4,720 |
| Income and other taxes payable | 4,018 | 6,005 |
| | $32,814 | $47,191 |

**15. Capital lease obligations**

The Company's capital leases primarily relate to licensed motor vehicles. The minimum lease payments due in each of the next five fiscal years are as follows:

| | |
|---|---|
| 2012 | $5,267 |
| 2013 | 3,087 |
| 2014 | 562 |
| 2015 | 270 |
| 2016 | 71 |
| Subtotal: | $9,257 |
| Less: amount representing interest – weighted average interest rate of 6.5% | (564) |
| Present value of minimum lease payments | $8,693 |
| Less: current portion | (4,862) |
| Long term portion | $3,831 |

**16. Long term debt**

**a) Long term debt are as follows:**

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Credit facilities (note 16(b)) | $61,970 | $22,374 |
| 8 3/4% senior notes (note 16(c)) | — | 203,120 |
| Series 1 Debentures (note 16(d)) | 225,000 | — |
| | $286,970 | $225,494 |

**b) Credit Facilities**

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Term A Facility | $24,698 | $28,446 |
| Term B Facility | 43,748 | — |
| Revolving Facility | 3,524 | — |
| Total credit facilities | $71,970 | $28,446 |
| Less: current portion of term facilities | (10,000) | (6,072) |
| | $61,970 | $22,374 |

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. The Company will not be required to make an additional principal payment in July 2011 related to the 2011 fiscal year.

As of March 31, 2011, the Company had outstanding borrowings of $68.4 million (March 31, 2010 – $28.4 million) under the term facilities, $3.5 million (March 31, 2010—$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 Revolving Facility was $69.2 million at March 31, 2011.

During the year ended March 31, 2011, financing fees of $1,034 were incurred in connection with the modifications made to the amended and restated credit agreement (2010 – $1,123; 2009 – $nil). 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 12(d)).

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 weighted average interest rate on Revolving Facility and Term Facility borrowings at March 31, 2011 was 5.87%.

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 is expected to remain in compliance throughout the fiscal year ending March 31, 2012. As at March 31, 2011, the Company was in violation of certain financial covenants as defined within the credit agreement. On May 20, 2011, the Company obtained an amendment in connection with such covenants from its lenders resulting in compliance as at March 31, 2011. The Company considers it probable that they will be in compliance with these covenants throughout the fiscal year ending March 31, 2012.

**c) 8 3/4% Senior Notes**

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| 8 3/4% senior unsecured notes due 2011 ($US) | $— | $200,000 |
| Unrealized foreign exchange | — | 3,120 |
| | $— | $203,120 |

The 8 3/4% senior notes were issued on November 26, 2003 in the amount of US $200.0 million (Canadian $263.0 million).

On April 28, 2010, the Company redeemed the 8 3/4% senior notes for $202,410 and recorded a $4,346 loss on debt extinguishment including a $4,324 write off of deferred financing costs (note 12(d)).

**d) 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 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 year ended March 31, 2011, financing fees of $5,846 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 12(d)).

**17. Other long term obligations**

**a) Other long term obligations are as follows:**

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Long term portion of liabilities related to equipment leases | $12,747 | $14,943 |
| Deferred lease inducements (note 17(b)) | 654 | 761 |
| Asset retirement obligation (note 17(c)) | 395 | 360 |
| Senior executive stock option plan (note 28(c)) | 5,115 | — |
| Restricted share unit plan (note 28(e)) | 2,633 | 1,030 |
| Director's deferred stock unit plan (note 28(f)) | 4,032 | 2,548 |
| | $25,576 | $19,642 |

**b) Deferred lease inducements**

Lease inducements applicable to lease contracts are deferred and amortized as a reduction of general and administrative expenses 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.

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Balance, beginning of year | $761 | $836 |
| Additions | — | 32 |
| Amortization of deferred lease inducements | (107) | (107) |
| Balance, end of year | $654 | $761 |

**c) Asset retirement obligation**

The Company recorded an asset retirement obligation related to the future retirement of a facility on leased land. Accretion expense associated with this obligation is included in equipment costs in the Consolidated Statements of Operations.

The following table presents a continuity of the liability for the asset retirement obligation:

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Balance, beginning of year | $360 | $386 |
| Change in the present value of the obligation | — | (31) |
| Accretion expense | 35 | 5 |
| Balance, end of year | $395 | $360 |

At March 31, 2011, estimated undiscounted cash flows required to settle the obligation were $1,084 (March 31, 2010 – $1,084). The credit adjusted risk-free rate assumed in measuring the asset retirement obligation was 9.42%. The Company expects to settle this obligation in 2021.

**18. Income taxes**

Income tax provision (benefit) differs from the amount that would be computed by applying the Federal and Provincial statutory income tax rates to income before income taxes. The reasons for the differences are as follows:

| Year ended March 31, | 2011 | 2010 | 2009 |
|---|---|---|---|
| (Loss) income before income taxes statutory tax rate | $(41,098) | $41,898 | $(120,771) |
| Tax rate | 27.75% | 28.91% | 29.38% |
| Expected provision (benefit) at statutory tax rate | $(11,405) | $12,113 | $(35,483) |
| Increase (decrease) related to: | | | |
| Impact of enacted future statutory income tax rates | 164 | (673) | (1,005) |
| Income tax adjustments and reassessments | 909 | 1,442 | — |
| Valuation allowance | 962 | — | — |
| Impairment of goodwill | — | — | 51,767 |
| Stock-based compensation | 1,443 | 617 | 555 |
| Non deductible portion of capital losses | 1,063 | — | — |
| Other | 416 | 180 | (1,201) |
| Income tax provision | $(6,448) | $13,679 | $14,633 |

Classified as:

| Year ended March 31, | 2011 | 2010 | 2009 |
|---|---|---|---|
| Current income taxes | $2,892 | $3,803 | $5,546 |
| Deferred income taxes | (9,340) | 9,876 | 9,087 |
| | $(6,448) | $13,679 | $14,633 |

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Deferred tax assets: | | |
| Non-capital losses carried forward | $41,581 | $2,205 |
| Deferred financing costs | — | 12 |
| Derivative financial instruments and 8 3/4% senior notes | 2,895 | 8,892 |
| Billings in excess of costs on uncompleted contracts | 508 | 448 |
| Capital lease obligations | 2,247 | 3,692 |
| Intangible assets | 473 | 104 |
| Long term portion of liabilities related to equipment leases | 2,029 | 1,965 |
| Deferred lease inducements | 161 | 199 |
| Stock-based compensation | 1,656 | 894 |
| Other | 99 | 370 |
| | $51,649 | $18,781 |

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Deferred tax liabilities: | | |
| Unbilled revenue and uncertified revenue included in accounts receivable | $24,418 | $15,975 |
| Assets held for sale | 189 | 233 |
| Accounts receivable – holdbacks | 3,154 | 1,083 |
| Property, plant and equipment | 44,105 | 31,234 |
| Deferred financing costs | 71 | — |
| Intangible assets | 76 | — |
| Other | 40 | — |
| | 72,053 | 48,525 |
| Net deferred income taxes | $(20,404) | $(29,744) |

Classified as:

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Current asset | $1,729 | $3,481 |
| Long term asset | 49,920 | 15,300 |
| Current liability | (27,612) | (16,781) |
| Long term liability | (44,441) | (31,744) |
| | $(20,404) | $(29,744) |

The Company and its subsidiaries file income tax returns in the Canadian federal jurisdiction, five provincial jurisdictions and US federal and Texas state jurisdiction. For years before 2007, the Company is no longer subject to Canadian federal or provincial examinations.

The Company had unrecognized tax benefits in capital losses of $962 as at March 31, 2011 (2010 – $nil; 2009 – $nil). At March 31, 2011, the Company has non-capital losses for income tax purposes of $164,661 which predominately expire after 2027.

| | March 31, 2011 |
|---|---|
| 2027 | $2,968 |
| 2028 | 7,094 |
| 2029 | 13,676 |
| 2030 | 32,363 |
| 2031 | 108,560 |
| | $164,661 |

**19. Shares**

**a) Common shares**

Authorized:

Unlimited number of voting common shares
Unlimited number of non-voting common shares

Issued and outstanding:

| | Number of Shares | Amount |
|---|---|---|
| Voting common shares | | |
| Issued and outstanding at March 31, 2008 | 35,929,476 | $301,894 |
| Issued upon exercise of stock options | 109,000 | 703 |
| Transferred from additional paid-in capital on exercise of stock options | — | 834 |
| Issued and outstanding at March 31, 2009 | 36,038,476 | $303,431 |
| Issued upon exercise of stock options | 10,800 | 53 |
| Transferred from additional paid-in capital on exercise of stock options | — | 21 |
| Issued and outstanding at March 31, 2010 | 36,049,276 | $303,505 |
| Issued upon exercise of stock options | 193,250 | 963 |
| Transferred from additional paid-in capital on exercise of stock options | — | 386 |
| Issued and outstanding at March 31, 2011 | 36,242,526 | $304,854 |

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

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| Year ended March 31, | | | |
| Net (loss) income available to common shareholders | $(34,709) | $28,219 | $(135,404) |
| Weighted average number of common shares | 36,119,356 | 36,040,857 | 36,020,763 |
| Basic net (loss) income per share | $(0.96) | $0.78 | $(3.76) |

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| Year ended March 31, | | | |
| Net (loss) income available to common shareholders | $(34,709) | $28,219 | $(135,404) |
| Weighted average number of common shares | 36,119,356 | 36,040,857 | 36,020,763 |
| Dilutive effect of stock options, deferred performance share units and stock award plan | — | 680,169 | — |
| Weighted average number of diluted common shares | 36,119,356 | 36,721,026 | 36,020,763 |
| Diluted net (loss) income per share | $(0.96) | $0.77 | $(3.76) |

For the year ended March 31, 2011, there were 1,647,474, 75,591 and 150,000 stock options, deferred performance share units and stock awards respectively which were anti-dilutive and therefore were not considered in computing diluted earnings per share (March 31, 2010 – 820,641 and 57,311 stock options and deferred performance share units respectively; March 31, 2009 – 2,071,884 and 91,005, stock options and deferred performance share units respectively).

**20. Interest expense**

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| Year ended March 31, | | | |
| Interest on 8 3/4% senior notes and swaps | $1,238 | $19,041 | $25,379 |
| Interest on capital lease obligations | 689 | 1,032 | 1,234 |
| Amortization of deferred financing costs | 1,609 | 3,348 | 2,970 |
| Interest on credit facilities | 5,361 | 2,375 | 298 |
| Interest on Series 1 Debentures | 20,132 | – | – |
| Interest on long term debt | $29,029 | $25,796 | $29,881 |
| Other interest | 962 | 284 | (269) |
| | $29,991 | $26,080 | $29,612 |

**21. Claims revenue**

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| Year ended March 31, | | | |
| Claims revenue recognized | $5,278 | $4,541 | $55,999 |
| Claims revenue uncollected (classified as unbilled revenue) | 2,174 | 785 | 1,768 |

**22. Financial instruments and risk management**

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. 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 Credit 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 $72.0 million at March 31, 2011 and $28.4 million at March 31, 2010, the fair value of amounts due under the Credit Facilities as at March 31, 2011 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:

| | March 31, 2011 | | March 31, 2010 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| 8 3/4% senior notes (i) | $– | $– | $203,120 | $203,526 |
| Capital lease obligations (ii) | 8,693 | 8,658 | 13,393 | 13,291 |
| Series 1 Debentures (iii) | 225,000 | 238,651 | – | – |

(i) The US Dollar denominated 8 3/4% senior notes were redeemed during the year ended March 31, 2011. The fair value of the 8 3/4% senior notes on March 31, 2010 was based upon the period end closing market price translated into Canadian Dollars at period end exchange rates as at March 31, 2010. Expected discounted cash flows were not included in the fair value calculation.

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

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

**a) Fair value measurements**

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, implied volatilities 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 futures 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 March 31, 2011, 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 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 Consolidated Balance Sheets are summarized below:

| March 31, 2011 | Carrying Amount |
|---|---|
| Embedded price escalation features in a long term customer construction contract | $5,877 |
| Embedded price escalation features in certain long term supplier contracts | 5,651 |
| | $11,528 |
| Less: current portion | (2,474) |
| | $9,054 |

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

On April 8, 2010, the Company settled the cross-currency and interest rate swaps, including accrued interest for a total of $91,125 in conjunction with the settlement of the 8 3/4% senior notes (note 16(c)).

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

| Year ended March 31, | 2011 | 2010 | 2009 |
|---|---|---|---|
| Realized and unrealized loss (gain) on cross-currency and interest rate swaps | $2,111 | $64,637 | $(46,945) |
| Unrealized (gain) loss on embedded price escalation features in a long term revenue construction contract | (604) | 6,805 | (15,145) |
| Unrealized (gain) loss on embedded price escalation features in certain long term supplier contracts | (3,812) | (13,315) | 21,509 |
| Unrealized (gain) loss on early redemption option on 8 3/4% senior notes | – | (3,716) | 3,331 |
| | $(2,305) | $54,411 | $(37,250) |

Non-financial assets that were re-measured at fair value on a non-recurring basis as at March 31, 2011 and 2010 in the financial statements are summarized below:

| | March 31, 2011 | | March 31, 2010 | |
|---|---|---|---|---|
| | Carrying Amount | Change in Fair Value | Carrying Amount | Change in Fair Value |
| Assets held for sale | $721 | $(141) | $838 | $(806) |

Assets held for sale are re-measured at fair value less cost to sell on a non-recurring basis. For the year ended March 31, 2011, assets held for sale with a carrying amount of $862 (2010 – $1,644) were written down to their fair value less cost to sell of $721 (2010 – $838), resulting in a loss of $141 (2010 – $806), which was included in depreciation expense in the Consolidated Statements of Operations. 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.

**b) Risk Management**

The Company is exposed to market and credit risks associated with its financial instruments. The Company will from time to time use various financial instruments to reduce market risk exposures from changes in foreign currency exchange rates and interest rates. The Company does not hold or use any derivative instruments for trading or speculative purposes.

Overall, the Company's Board of Directors has responsibility for the establishment and approval of the Company's risk management policies. Management performs a risk assessment on a continual basis to help ensure that all significant risks related to the Company and its operations have been reviewed and assessed to reflect changes in market conditions and the Company's operating activities.

**c) Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign currency exchange rates and interest rates. The level of market risk to which the Company is exposed at any point in time varies depending on market conditions, expectations of future price or market rate movements and composition of the Company's financial assets and liabilities held, non-trading physical assets and contract portfolios.

To manage the exposure related to changes in market risk, the Company uses various risk management techniques including the use of derivative instruments. Such instruments may be used to establish a fixed price for a commodity, an interest bearing obligation or a cash flow denominated in a foreign currency.

The sensitivities provided below are hypothetical and should not be considered to be predictive of future performance or indicative of earnings on these contracts.

*i) Foreign exchange risk*

The Company regularly transacts in foreign currencies when purchasing equipment, spare parts as well as certain general and administrative goods and services. These exposures are generally of a short-term nature and the impact of changes in exchange rates has not been significant in the past. The Company may fix its exposure in either the Canadian Dollar or the US Dollar for these short term transactions, if material.

*ii) Interest rate risk*

The Company is exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows or the fair values of its financial instruments. Interest expense on borrowings with floating interest rates, including the Company's Credit Facilities, varies as market interest rates change. At March 31, 2011, the Company held $72.0 million of floating rate debt pertaining to its Credit Facilities (March 31, 2010 – $28.4 million). As at March 31, 2011, holding all other variables constant, a 100 basis point increase (decrease) to interest rates on floating rate debt will result in $0.7 million increase (decrease) in annual interest expense. This assumes that the amount of floating rate debt remains unchanged from that which was held at March 31, 2011.

The fair value of financial instruments with fixed interest rates, such as the Company's Series 1 Debentures, fluctuate with changes in market interest rates. However, these fluctuations do not affect earnings, as the Company's debt is carried at amortized cost and the carrying value does not change as interest rates change.

The Company manages its interest rate risk exposure by using a mix of fixed and variable rate debt and may use derivative instruments to achieve the desired proportion of variable to fixed-rate debt.

**d) Credit Risk**

Credit risk is the risk that financial loss to the Company may be incurred if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company manages the credit risk associated with its cash by holding its funds with what it believes to be reputable financial institutions. The Company is also exposed to credit risk through its accounts receivable and unbilled revenue. Credit risk for trade and other accounts receivables, and unbilled revenue are managed through established credit monitoring activities.

The Company has a concentration of customers in the oil and gas sector. The concentration risk is mitigated primarily by the customers being large investment grade organizations. The credit worthiness of new customers is subject to review by management through consideration of the type of customer and the size of the contract.

At March 31, 2011 and March 31, 2010, the following customers represented 10% or more of accounts receivable and unbilled revenue:

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Customer A | 40% | 40% |
| Customer B | 14% | 4% |
| Customer C | 12% | 38% |

The Company reviews its accounts receivable amounts regularly and amounts are written down to their expected realizable value when outstanding amounts are determined not to be fully collectible. This generally occurs when the customer has indicated an inability to pay, the Company is unable to communicate with the customer over an extended period of time, and other methods to obtain payment have been considered and have not been successful. Bad debt expense is charged to project costs in the Consolidated Statements of Operations in the period that the account is determined to be doubtful. Estimates of the allowance for doubtful accounts are determined on a customer-by-customer evaluation of collectability at each reporting date taking into consideration the following factors: the length of time the receivable has been outstanding, specific knowledge of each customer's financial condition and historical experience.

The Company's maximum exposure to credit risk for accounts receivable and unbilled revenue is as follows:

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Trade accounts receivables | $127,678 | $107,210 |
| Other receivables | 804 | 4,674 |
| Total accounts receivable | $128,482 | $111,884 |
| Unbilled revenue | $102,939 | $84,702 |

On a geographic basis as at March 31, 2011, approximately 95% (March 31, 2010 – 98%) of the balance of trade accounts receivable (before considering the allowance for doubtful accounts) was due from customers based in Western Canada.

Payment terms are generally net 30 days. As at March 31, 2011 and 2010, trade receivables are aged as follows:

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Not past due | $98,626 | $84,041 |
| Past due 1-30 days | 18,911 | 15,635 |
| Past due 31-60 days | 3,444 | 1,543 |
| More than 61 days | 6,697 | 5,991 |
| Total | $127,678 | $107,210 |

As at March 31, 2011, the Company has recorded an allowance for doubtful accounts of $30 (March 31, 2010 – $1,691) of which 100% relates to amounts that are more than 61 days past due.

The allowance is an estimate of the March 31, 2011 trade receivable balances that are considered uncollectible. Changes to the allowance are as follows:

| Year ended March 31, | 2011 | 2010 | 2009 |
|---|---|---|---|
| Opening balance | $1,691 | $2,597 | $742 |
| Payments received on provided balances | (682) | (846) | (100) |
| Current year allowance | 518 | 334 | 4,324 |
| Write-offs | (1,497) | (394) | (2,369) |
| Ending balance | $30 | $1,691 | $2,597 |

Credit risk on derivative financial instruments arises from the possibility that the counterparties to the agreements may default on their respective obligations under the agreements. This credit risk only arises in instances where these agreements have positive fair value for the Company.

**23. Other information**

**a) Supplemental cash flow information**

| Year ended March 31, | 2011 | 2010 | 2009 |
|---|---|---|---|
| Cash paid during the year for: | | | |
| Interest, including realized interest on interest rate swap | $33,559 | $49,999 | $29,336 |
| Income taxes | 4,149 | 10,395 | 52 |
| Cash received during the year for: | | | |
| Interest | 1,168 | 10,998 | 477 |
| Income taxes | 2,260 | 453 | 2,734 |
| Non-cash transactions: | | | |
| Acquisition of property, plant and equipment by means of capital leases | 427 | 1,523 | 8,863 |
| Additions to assets held for sale | (1,675) | (1,739) | (2,035) |
| Net change in accounts payable related to purchase of property, plant and equipment | $(3,879) | $1,840 | $(630) |

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

| Year ended March 31, | 2011 | 2010 | 2009 |
|---|---|---|---|
| Operating activities: | | | |
| Accounts receivable, net | $(9,534) | $(29,428) | $88,687 |
| Unbilled revenue | (18,237) | (28,795) | 14,976 |
| Inventories | (2,661) | 6,214 | (6,617) |
| Prepaid expenses and deposits | 308 | (2,620) | 1,015 |
| Accounts payable | 21,382 | 6,620 | (56,308) |
| Accrued liabilities | (5,434) | 1,150 | 5,626 |
| Long term portion of liabilities related to equipment leases | (2,196) | 7,809 | 1,431 |
| Billings in excess of costs incurred and estimated earnings on uncompleted contracts | 390 | (541) | (2,617) |
| | $(15,982) | $(39,591) | $46,193 |

**24. Segmented information**

**a) General overview**

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

- *Heavy Construction and Mining:*

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

- *Piling:*

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

- *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 2. Certain business units of the Company have been aggregated into the Heavy Construction and Mining segment as they have similar economic characteristics based on the nature of the services provided, the customer base and the resources used to provide these services.

**b) Results by business segment**

| For the year ended March 31, 2011 | Heavy Construction and Mining | Piling | Pipeline | Total |
|---|---|---|---|---|
| Revenue from external customers | $667,037 | $105,559 | $85,452 | $858,048 |
| Depreciation of property, plant and equipment | 28,832 | 3,636 | 550 | 33,018 |
| Segment profits | 50,703 | 18,455 | (3,034) | 66,124 |
| Segment assets | 423,947 | 116,623 | 37,053 | 577,623 |
| Capital expenditures | 29,577 | 2,560 | 1,124 | 33,261 |

| For the year ended March 31, 2010 | Heavy Construction and Mining | Piling | Pipeline | Total |
|---|---|---|---|---|
| Revenue from external customers | $665,514 | $68,531 | $24,920 | $758,965 |
| Depreciation of property, plant and equipment | 34,419 | 2,842 | 153 | 37,414 |
| Segment profits | 111,016 | 11,288 | (3,851) | 118,453 |
| Segment assets | 435,098 | 92,980 | 14,765 | 542,843 |
| Capital expenditures | 40,431 | 1,081 | 948 | 42,460 |

| For the year ended March 31, 2009 | Heavy Construction and Mining | Piling | Pipeline | Total |
|---|---|---|---|---|
| Revenue from external customers | $716,053 | $155,076 | $101,407 | $972,536 |
| Depreciation of property, plant and equipment | 25,690 | 3,380 | 581 | 29,651 |
| Segment profits | 109,580 | 38,776 | 22,470 | 170,826 |
| Impairment of goodwill | (125,447) | (18,000) | (32,753) | (176,200) |
| Segment assets | 373,861 | 88,908 | 7,898 | 470,667 |
| Capital expenditures | 76,354 | 8,679 | 75 | 85,108 |

**c) Reconciliations**

*i) Income (loss) before income taxes*

| Year ended March 31, | 2011 | 2010 | 2009 |
|---|---|---|---|
| Total profit for reportable segments | $66,124 | $118,453 | $170,826 |
| Less: unallocated corporate items: | | | |
| General and administrative expenses | 59,932 | 62,530 | 74,460 |
| Loss on disposal of property, plant and equipment | 1,948 | 1,233 | 5,325 |
| Loss on disposal of assets held for sale | 825 | 373 | 24 |
| Amortization of intangible assets | 3,540 | 1,719 | 1,501 |
| Equity in loss (earnings) of unconsolidated joint venture | 2,720 | (44) | – |
| Impairment of goodwill | – | – | 176,200 |
| Interest expense, net | 29,991 | 26,080 | 29,612 |
| Foreign exchange (gain) loss | (1,659) | (48,901) | 47,272 |
| Realized and unrealized (gain) loss on derivative financial instruments | (2,305) | 54,411 | (37,250) |
| Loss on debt extinguishment | 4,346 | – | – |
| Other income | (104) | (14) | (5,955) |
| Unallocated equipment costs (recoveries) [(i)] | 7,988 | (20,832) | 408 |
| (Loss) income before income taxes | $(41,098) | $41,898 | $(120,771) |

(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*

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Corporate assets: | | |
| Cash and cash equivalents | $722 | $103,005 |
| Property, plant and equipment | 24,831 | 17,883 |
| Deferred tax assets | 51,649 | 18,781 |
| Other | 28,132 | 24,408 |
| Total corporate assets | $105,334 | $164,077 |
| Total assets for reportable segments | 577,623 | 542,843 |
| Total assets | $682,957 | $706,920 |

The Company's goodwill of $32,901 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*

| Year ended March 31, | 2011 | 2010 | 2009 |
|---|---|---|---|
| Total depreciation for reportable segments | $33,018 | $37,414 | $29,651 |
| Depreciation for corporate assets | 6,422 | 5,222 | 6,738 |
| Total depreciation | $39,440 | $42,636 | $36,389 |

*iv) Capital expenditures for long-lived assets*

| Year ended March 31, | 2011 | 2010 | 2009 |
|---|---|---|---|
| Total capital expenditures for reportable segments | $33,261 | $42,460 | $85,108 |
| Capital expenditures for corporate assets | 7,904 | 12,790 | 5,096 |
| Total capital expenditures for long-lived assets | $41,165 | $55,250 | $90,204 |

**d) Customers**

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

| Year ended March 31, | 2011 | 2010 | 2009 |
|---|---|---|---|
| Customer A | 29% | 51% | 31% |
| Customer B | 24% | 19% | 15% |
| Customer C | 10% | 9% | 18% |
| Customer D | 8% | 5% | 15% |
| Customer E | 0% | 0% | 10% |

The revenue by major customer was earned by the Heavy Construction and Mining segment.

**e) Geographic information**

The geographic information for the Company as at and for the year ended March 31, 2011 is as follows:

| | Revenue | Long-lived assets |
|---|---|---|
| Canada | $857,009 | $381,577 |
| United States | 1,039 | 96 |
| | $858,048 | $381,673 |

**25. Related party transactions**

The Sterling Group, L.P., Perry Strategic Capital Inc., and SF Holding Corp. are collectively “the Sponsors” of the Company. The Company may receive consulting and advisory services provided by the Sponsors (principals or employees of such Sponsors are directors of the Company) with respect to the organization of the companies, employee benefit and compensation arrangements, and other matters, and no fee is charged for these consulting and advisory services.

In order for the Sponsors to provide such advisory and consulting services, the Company provides reports, financial data and other information to the Sponsors. This permits them to consult with and advise the Company’s management on matters relating to its operations, company affairs and finances. In addition, this permits them to visit and inspect any of the Company’s properties and facilities.

Additionally, the Company provided shared service support for its joint venture nominee, Noramac Ventures Inc. (note 11).

There were no material related party transactions during the years ended March 31, 2011, 2010 and 2009. All related party transactions were in the normal course of operations and were measured at the exchange amount, being the consideration established and agreed to by the related parties.

**26. Commitments**

The annual future minimum lease payments for heavy equipment, office equipment and premises in respect of operating leases, excluding contingent rentals, for the next five years and thereafter are as follows:

| | |
|---|---|
| For the year ending March 31, | |
| 2012 | $68,964 |
| 2013 | 49,603 |
| 2014 | 36,287 |
| 2015 | 19,667 |
| 2016 and thereafter | 4,248 |
| | $178,769 |

Total contingent rentals on operating leases consisting principally of usage charges in excess of minimum contracted amounts for the years ended March 31, 2011, 2010 and 2009 amounted to $1,881, $10,246 and $7,665 respectively.

**27. Employee benefit plans**

The Company and its subsidiaries match voluntary contributions made by employees to their Registered Retirement Savings Plans to a maximum of 5% of base salary for each employee. Contributions made by the Company during the year ended March 31, 2011 were $1,689 (2010 – $1,393; 2009 – $2,540).

**28. Stock-based compensation**

**a) Stock-based compensation expenses**

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

| Year ended March 31, | 2011 | 2010 | 2009 |
|---|---|---|---|
| Share option plan (note 28(b)) | $1,455 | $2,135 | $1,888 |
| Senior executive stock option plan (note 28(c)) | 2,878 | – | – |
| Deferred performance share unit plan (note 28(d)) | (44) | 123 | 61 |
| Restricted share unit plan (note 28(e)) | 1,603 | 1,010 | – |
| Director’s deferred stock unit plan (note 28(f)) | 1,484 | 2,002 | 356 |
| Stock award plan (note 28(g)) | 780 | – | – |
| | $8,156 | $5,270 | $2,305 |

**b) Share option plan**

Under the 2004 Amended and Restated Share Option Plan, which was approved and became effective in 2006, 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 | Weighted average exercise price $ per share |
|---|---|---|
| Outstanding at March 31, 2008 | 2,036,364 | 7.54 |
| Granted | 344,800 | 8.22 |
| Exercised (i) | (109,000) | (6.45) |
| Forfeited | (200,280) | (9.40) |
| Outstanding at March 31, 2009 | 2,071,884 | 7.53 |
| Granted | 375,700 | 8.88 |
| Exercised (i) | (10,800) | (4.90) |
| Options settled for cash | (95,720) | (4.95) |
| Forfeited | (90,260) | (8.53) |
| Outstanding at March 31, 2010 | 2,250,804 | 7.84 |
| Granted | 260,000 | 9.77 |
| Exercised (i) | (193,250) | (4.98) |
| Forfeited | (120,080) | (10.30) |
| Modified (ii) | (550,000) | (5.00) |
| Outstanding at March 31, 2011 | 1,647,474 | 9.25 |

(i)All stock options exercised resulted in new common shares being issued (note 19(a));
(ii)550,000 stock options were modified as senior executive stock options on September 22, 2010 (note 28(c)).

Cash received from the option exercises for the year ended March 31, 2011 was $963 (2010 – $53, 2009 – $703). Cash paid for options settled for cash for the year ended March 31, 2011 was $nil (2010 – $244, 2009 – $nil).The total intrinsic value of options exercised for the years ended March 31, 2011, 2010 and 2009 was $1,084, $277 and $1,238 respectively.

The following table summarizes information about stock options outstanding at March 31, 2011:

| | Options outstanding | | | Options exercisable | | |
|---|---|---|---|---|---|---|
| Exercise price | Number | Weighted average remaining life | Weighted average exercise price | Number | Weighted average remaining life | Weighted average exercise price |
| $3.69 | 140,040 | 7.7 years | $3.69 | 53,220 | 7.7 years | $3.69 |
| $5.00 | 440,294 | 3.7 years | $5.00 | 420,294 | 3.6 years | $5.00 |
| $8.28 | 136,000 | 8.2 years | $8.28 | 32,000 | 8.2 years | $8.28 |
| $8.58 | 60,000 | 9.5 years | $8.58 | – | – | – |
| $9.33 | 178,280 | 8.9 years | $9.33 | 34,840 | 8.9 years | $9.33 |
| $10.13 | 192,100 | 9.7 years | $10.13 | – | – | – |
| $13.21 | 75,000 | 6.8 years | $13.21 | 45,000 | 6.8 years | $13.21 |
| $13.50 | 216,200 | 6.7 years | $13.50 | 132,440 | 6.7 years | $13.50 |
| $15.37 | 56,800 | 7.0 years | $15.37 | 40,480 | 7.0 years | $15.37 |
| $16.01 | 75,000 | 7.0 years | $16.01 | 30,000 | 7.0 years | $16.01 |
| $16.46 | 50,000 | 7.0 years | $16.46 | 20,000 | 7.0 years | $16.46 |
| $16.75 | 27,760 | 5.5 years | $16.75 | 22,208 | 5.5 years | $16.75 |
| | 1,647,474 | 6.8 years | $9.25 | 830,482 | 5.4 years | $8.52 |

At March 31, 2011, the weighted average remaining contractual life of outstanding options is 6.8 years (March 31, 2010 – 6.6 years). The fair value of options vested during the year ended March 31, 2011 was $1,892 (March 31, 2010 – $1,594). At March 31, 2011, the Company had 830,482 exercisable options (March 31, 2010 –1,244,908) with a weighted average exercise price of $8.52 (March 31, 2010 – $6.46).

At March 31, 2011, the total compensation costs related to non-vested awards not yet recognized was $2,973 (March 31, 2010 – $3,351) and these costs are expected to be recognized over a weighted average period of 3.4 years (March 31, 2010 – 3.4 years).

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:

| Year ended March 31, | 2011 | 2010 | 2009 |
|---|---|---|---|
| Number of options granted | 260,000 | 375,700 | 344,800 |
| Weighted average fair value per option granted ($) | 6.79 | 6.25 | 4.53 |
| Weighted average assumptions: | | | |
| Dividend yield | Nil% | Nil% | Nil% |
| Expected volatility | 78.59% | 76.27% | 59.01% |
| Risk-free interest rate | 2.65% | 3.39% | 3.24% |
| Expected life (years) | 6.1 | 6.5 | 6.5 |

The Company uses company specific historical data to estimate the expected life of the option, such as employee option exercise and employee post-vesting departure behaviour. Since the Company's shares have been publicly traded for a period that is shorter than the expected life of the share option, expected volatility is estimated based on the historical volatility of a peer group of similar entities in addition to its own historical volatility.

**c) Senior executive stock option plan**

On September 22, 2010, the Company modified a senior executive employment agreement to allow the option holder the right to settle options in cash which resulted in 550,000 stock options (senior executive stock options) changing classification from equity to a long term liability. The 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 $2,878 which was measured as the excess of the modification date fair value of the modified award over the modification date fair value of the original award was recognized for the year ended March 31, 2011. Changes in fair value of the liability are recognized in the Consolidated Statements of Operations.

The weighted average assumptions used in estimating the fair value of the senior executive stock options as at March 31, 2011 are as follows:

| | |
|---|---|
| Number of senior executive stock options | 550,000 |
| Weighted average fair value per option granted ($) | 9.30 |
| Weighted average assumptions: | |
| Dividend yield | Nil% |
| Expected volatility | 76.74% |
| Risk-free interest rate | 1.77% |
| Expected life (years) | 4.10 |

**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 income divided by average operating assets. The maturity date for such DPSUs is the last day of the third fiscal year following the grant date. 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 fair market value of the Company's common shares as determined by the volume weighted average trading price of the Company's common shares for the five trading days immediately preceding 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.

The fair value of each unit under the DPSU Plan was estimated on the date of the grant using Black-Scholes option pricing model. There were no DPSUs granted in fiscal 2011. The weighted average assumptions used in estimating the fair value of the share options issued under the DPSU Plan in fiscal 2010 and 2009 are as follows:

| Year ended March 31, | 2010 | 2009 |
|---|---|---|
| Number of units granted | 908,165 | 111,020 |
| Weighted average fair value per unit granted ($) | 4.71 | 12.34 |
| Weighted average assumptions: | | |
| Dividend yield | Nil% | Nil% |
| Expected volatility | 96.89% | 56.25% |
| Risk-free interest rate | 1.47% | 2.83% |
| Expected life (years) | 3.00 | 3.00 |

| | Number of units |
|---|---|
| Outstanding at March 31, 2008 | – |
| Granted | 111,020 |
| Forfeited | (20,015) |
| Outstanding at March 31, 2009 | 91,005 |
| Granted | 908,165 |
| Forfeited | (102,671) |
| Converted to RSUs (note 28(e)) | (389,204) |
| Outstanding at March 31, 2010 | 507,295 |
| Forfeited | (74,776) |
| Outstanding at March 31, 2011 | 432,519 |

The weighted average exercise price per unit is $nil.

At March 31, 2011, there were 111,020 units vested and the weighted average remaining contractual life of outstanding DPSU units is 1.2 years (March 31, 2010 – 2.2 years). Compensation expense was adjusted based upon management's assessment of performance against return on invested capital targets and the ultimate number of units expected to be issued. As at March 31, 2011, there was approximately $242 of total unrecognized compensation cost related to non-vested share-based payment arrangements under the DPSU Plan (March 31, 2010 – $792), which is expected to be recognized over a weighted average period of 2.0 years (March 31, 2010 – 2.2 years) and is subject to performance adjustments. On December 18, 2009, the Company converted 26,059 and 363,145 DPSUs into RSUs for the April 1, 2008 and April 1, 2009 grants respectively at a conversion factor of 80% (note 28(e)).

**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 percentage of the fair market value of RSUs that is accrued at the end of each period. The fair market value of each RSU is 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 three-year term of the RSUs.

On December 18, 2009, the Company converted certain middle manager's DPSUs (note 28(d)) into RSUs at a conversion factor of 80%.

| | Number of units |
|---|---|
| Outstanding at March 31, 2009 | – |
| Converted from DPSUs at a conversion factor of 80% | 311,358 |
| Granted | 169,489 |
| Forfeited | (12,032) |
| Outstanding at March 31, 2010 | 468,815 |
| Forfeited | (86,339) |
| Outstanding at March 31, 2011 | 382,476 |

At March 31, 2011, there were 17,320 units vested and the weighted average remaining contractual life of the RSUs outstanding was 1.3 years (March 31, 2010 – 2.3 years).

At March 31, 2011, the redemption value of these units was $11.96/unit (March 31, 2010 – $9.68/unit).

Using the redemption value of $11.96/unit at March 31, 2011, there was approximately $1,914 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 1.3 years (March 31, 2010 – 2.3 years). On approval of the RSU Plan in 2009, the Company reclassified $20 from additional paid-in capital to restricted share unit liability related to the conversion of those employees converted from the DPSU Plan to the RSU Plan.

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

On November 27, 2007, the Company approved a Directors' Deferred Stock Unit ("DDSU") Plan, which became effective January 1, 2008. Under the DDSU Plan, non–officer directors of the Company receive 50% of their annual fixed remuneration (which is included in general and administrative expenses) 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 volume weighted average trading price of the Company's common shares for the five trading days immediately preceding the date that participants' remuneration becomes payable. The DDSUs vest immediately upon issurance and are only redeemable upon death or retirement of the participant for cash determined by the market price of the

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

| | Number of units |
|---|---|
| Outstanding at March 31, 2008 | 11,807 |
| Issued | 127,884 |
| Outstanding at March 31, 2009 | 139,691 |
| Issued | 123,575 |
| Outstanding at March 31, 2010 | 263,266 |
| Issued | 73,752 |
| Outstanding at March 31, 2011 | 337,018 |

At March 31, 2011, the redemption value of these units was $11.96/unit (March 31, 2010 – $9.68/unit). There is no unrecognized compensation expense related to the DDSUs, since these awards vest immediately when issued.

**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 was 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 is equal to the market price of the Company's common shares.

At March 31, 2011, none of the stock awards have vested and the weighted average remaining contractual life of outstanding Stock Award Plan units is 0.6 years (March 31, 2010 – 1.6 years). As at March 31, 2011, there was approximately $270 (March 31, 2010 – $784) 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 0.6 years (March 31, 2010 – 1.6 years).

**29. Contingencies**

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

**30. 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.

**31. 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 Loss and Deficit – for the year ended March 31, 2011**

| | US GAAP | Adjustments | Canadian GAAP |
|---|---|---|---|
| **Revenue** [g] | **$858,048** | **$ 6,098** | **$864,146** |
| Project costs [g] | 456,119 | 7,339 | 463,458 |
| Equipment costs | 234,933 | – | 234,933 |
| Equipment operating lease expense | 69,420 | – | 69,420 |
| Depreciation [a] | 39,440 | (111) | 39,329 |
| **Gross profit** | **58,136** | **(1,130)** | **57,006** |
| General and administrative expenses [c] [g] | 59,932 | 111 | 60,043 |
| Loss on disposal of property, plant and equipment | 1,948 | – | 1,948 |
| Loss on disposal of assets held for sale | 825 | – | 825 |
| Amortization of intangible assets [b] | 3,540 | 706 | 4,246 |
| Equity in loss of unconsolidated joint venture [g] | 2,720 | (2,720) | – |
| **Operating loss before the undernoted** | **(10,829)** | **773** | **(10,056)** |
| Interest expense, net [b] | 29,991 | (1,193) | 28,798 |
| Foreign exchange gain | (1,659) | – | (1,659) |
| Realized and unrealized gain on derivative financial instruments [d] | (2,305) | (5,802) | (8,107) |
| Loss on debt extinguishment [b] | 4,346 | (2,884) | 1,462 |
| Other income | (104) | – | (104) |
| **Loss before income taxes** | **(41,098)** | **10,652** | **(30,446)** |
| Income taxes (benefit): | | | |
| Current | 2,892 | – | 2,892 |
| Deferred [h] | (9,340) | 1,688 | (7,652) |
| **Net loss** | **(34,650)** | **8,964** | **(25,686)** |
| **Other comprehensive loss** | | | |
| Unrealized foreign currency translation loss | 59 | – | 59 |
| **Comprehensive loss** | **(34,709)** | **8,964** | **(25,745)** |
| Deficit, beginning of year | **(129,886)** | **1,081** | **(128,805)** |
| **Deficit, end of year** | **$(164,536)** | **$10,045** | **$(154,491)** |
| **Net loss per share – basic** | **$(0.96)** | **$0.25** | **$(0.71)** |
| **Net loss per share – diluted** | **$(0.96)** | **$0.25** | **$(0.71)** |

**Consolidated Statements of Operations, Comprehensive Income and Deficit – for the year ended March 31, 2010**

| | US GAAP | Adjustments | Canadian GAAP |
|---|---|---|---|
| **Revenue** [g] | **$758,965** | **$4,336** | **$763,301** |
| Project costs [g] | 301,307 | 3,542 | 304,849 |
| Equipment costs | 209,408 | – | 209,408 |
| Equipment operating lease expense | 66,329 | – | 66,329 |
| Depreciation [a] | 42,636 | (124) | 42,512 |
| **Gross profit** | **139,285** | **918** | **140,203** |
| General and administrative expenses [c] [g] | 62,530 | 706 | 63,236 |
| Loss on disposal of property, plant and equipment | 1,233 | – | 1,233 |
| Loss on disposal of assets held for sale | 373 | – | 373 |
| Amortization of intangible assets [b] | 1,719 | 831 | 2,550 |
| Equity in earnings of unconsolidated joint venture [g] | (44) | 44 | – |
| **Operating income before the undernoted** | **73,474** | **(663)** | **72,811** |
| Interest expense, net [b] | 26,080 | (2,486) | 23,594 |
| Foreign exchange gain [b] | (48,901) | 496 | (48,405) |
| Realized and unrealized loss on derivative financial instruments [d] | 54,411 | – | 54,411 |
| Other income | (14) | – | (14) |
| **Income before income taxes** | **41,898** | **1,327** | **43,225** |
| Income taxes: | | | |
| Current | 3,803 | – | 3,803 |
| Deferred [h] | 9,876 | 372 | 10,248 |
| **Net income and comprehensive income for the year** | **28,219** | **955** | **29,174** |
| Deficit, beginning of year | (158,105) | 126 | (157,979) |
| **Deficit, end of year** | **$(129,886)** | **$1,081** | **$(128,805)** |
| **Net income per share – basic** | **$0.78** | **$0.03** | **$0.81** |
| **Net income per share – diluted** | **$0.77** | **$0.02** | **$0.79** |

**Consolidated Statements of Operations, Comprehensive Loss and Deficit – for the year ended March 31, 2009**

| | US GAAP | Adjustments | Canadian GAAP |
|---|---|---|---|
| **Revenue** | **$972,536** | **$ –** | **$972,536** |
| Project costs | 505,026 | – | 505,026 |
| Equipment costs | 217,120 | – | 217,120 |
| Equipment operating lease expense | 43,583 | – | 43,583 |
| Depreciation [(a)] | 36,389 | (162) | 36,227 |
| **Gross profit** | **170,418** | **162** | **170,580** |
| General and administrative expenses [(c)] | 74,460 | (55) | 74,405 |
| Loss on disposal of property, plant and equipment | 5,325 | – | 5,325 |
| Loss on disposal of assets held for sale | 24 | – | 24 |
| Amortization of intangible assets [(b)] | 1,501 | 837 | 2,338 |
| Impairment of goodwill | 176,200 | – | 176,200 |
| **Operating loss before the undernoted** | **(87,092)** | **(620)** | **(87,712)** |
| Interest expense, net [(b)] | 29,612 | (2,162) | 27,450 |
| Foreign exchange loss [(b)] | 47,272 | (606) | 46,666 |
| Realized and unrealized gain on derivative financial instruments [(d)] | (37,250) | 4,655 | (32,595) |
| Other income | (5,955) | – | (5,955) |
| **Loss before income taxes** | **(120,771)** | **(2,507)** | **(123,278)** |
| Income taxes: | | | |
| Current | 5,546 | – | 5,546 |
| Deferred [(h)] | 9,087 | (34) | 9,053 |
| **Net loss and comprehensive loss for the year** | **(135,404)** | **(2,473)** | **(137,877)** |
| Deficit, beginning of year | (22,701) | 1,608 | (21,093) |
| Change in accounting policy related to inventories [(f)] | – | 991 | 991 |
| **Deficit, end of year** | **$(158,105)** | **$126** | **$(157,979)** |
| **Net loss per share – basic** | **$(3.76)** | **$(0.07)** | **$(3.83)** |
| **Net loss per share – diluted** | **$(3.76)** | **$(0.07)** | **$(3.83)** |

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 – March 31, 2011**

| | US GAAP | Adjustments | Canadian GAAP |
|---|---|---|---|
| **Assets** | | | |
| Current assets | | | |
| Cash and cash equivalents | $722 | $– | $722 |
| Accounts receivable, net [g] | 128,482 | 1,734 | 130,216 |
| Unbilled revenue [g] | 102,939 | 1,973 | 104,912 |
| Inventories | 7,735 | – | 7,735 |
| Prepaid expenses and deposits [g] | 8,269 | 4 | 8,273 |
| Investment in and advances to unconsolidated joint venture | 1,488 | (1,488) | – |
| Assets held for sale | – | 453 | 453 |
| Deferred tax assets | 1,729 | – | 1,729 |
| | **251,364** | **2,676** | **254,040** |
| Property, plant and equipment, net [a] [g] | 321,864 | (425) | 321,439 |
| Other assets [b] [f] [g] | 26,908 | (6,293) | 20,615 |
| Goodwill | 32,901 | – | 32,901 |
| Deferred tax assets | 49,920 | – | 49,920 |
| **Total Assets** | **$682,957** | **$(4,042)** | **$678,915** |
| **Liabilities and Shareholders' Equity** | | | |
| Current liabilities | | | |
| Accounts payable [g] | $86,053 | $2,670 | $88,723 |
| Accrued liabilities [g] | 32,814 | 6 | 32,820 |
| Billings in excess of costs incurred and estimated earnings on uncompleted contracts | 2,004 | – | 2,004 |
| Current portion of capital lease obligations | 4,862 | – | 4,862 |
| Current portion of term facilities | 10,000 | – | 10,000 |
| Current portion of derivative financial instruments | 2,474 | – | 2,474 |
| Deferred tax liabilities | 27,612 | – | 27,612 |
| | **165,819** | **2,676** | **168,495** |
| Capital lease obligations | 3,831 | – | 3,831 |
| Long term debt [b] [d] | 286,970 | (12,338) | 274,632 |
| Derivative financial instruments | 9,054 | – | 9,054 |
| Other long term obligations | 25,576 | (1,320) | 24,256 |
| Deferred tax liabilities [h] | 44,441 | 636 | 45,077 |
| | **535,691** | **(10,346)** | **525,345** |
| **Shareholders' equity** | | | |
| Common shares (authorized – unlimited number of voting common shares; issued and outstanding – March 31, 2011 – 36,242,526) [e] | 304,854 | (3,458) | 301,396 |
| Additional paid-in capital [c] [h] | 7,007 | (283) | 6,724 |
| Deficit [a-h] | (164,536) | 10,045 | (154,491) |
| Accumulated other comprehensive loss | (59) | – | (59) |
| | **147,266** | **6,304** | **153,570** |
| **Total liabilities and shareholders' equity** | **$682,957** | **$(4,042)** | **$678,915** |

**Consolidated Balance Sheets – March 31, 2010**

| | US GAAP | Adjustments | Canadian GAAP |
|---|---|---|---|
| **Assets** | | | |
| Current assets | | | |
| Cash and cash equivalents [g] | $103,005 | $1,240 | $104,245 |
| Accounts receivable, net [g] | 111,884 | 1,432 | 113,316 |
| Unbilled revenue [g] | 84,702 | 1,794 | 86,496 |
| Inventories | 3,047 | – | 3,047 |
| Prepaid expenses and deposits [g] | 6,881 | 87 | 6,968 |
| Deferred tax assets | 3,481 | – | 3,481 |
| | **313,000** | **4,553** | **317,553** |
| Property, plant and equipment, net [a] [g] | 331,355 | (536) | 330,819 |
| Other asset [b] [f] [g] | 22,154 | (7,551) | 14,603 |
| Goodwill | 25,111 | – | 25,111 |
| Deferread tax assets | 15,300 | – | 15,300 |
| **Total Assets** | **$706,920** | **$(3,534)** | **$703,386** |
| **Liabilities and Shareholders' Equity** | | | |
| Current liabilities | | | |
| Accounts payable [g] | $66,876 | $1,637 | $68,513 |
| Accrued liabilities | 47,191 | – | 47,191 |
| Billings in excess of costs incurred and estimated earnings on uncompleted contracts | 1,614 | – | 1,614 |
| Current portion of capital lease obligations | 5,053 | – | 5,053 |
| Current portion of term facilities | 6,072 | – | 6,072 |
| Current portion of derivative financial instruments [b] [d] | 22,054 | (1,506) | 20,548 |
| Deferred tax liabilities | 16,781 | – | 16,781 |
| | **165,641** | **131** | **165,772** |
| Capital lease obligations | 8,340 | – | 8,340 |
| Long term debt [b] [d] | 225,494 | (1,506) | 223,988 |
| Derivative financial instruments [b] [d] | 75,001 | 1,506 | 76,507 |
| Other long term obligations | 19,642 | – | 19,642 |
| Deferred tax liabilities [h] | 31,744 | (1,052) | 30,692 |
| | **525,862** | **(921)** | **524,941** |
| **Shareholders' equity** | | | |
| Common shares (authorized – unlimited number of voting common shares; issued and outstanding – March 31, 2010 – 36,049,276) [e] | 303,505 | (3,458) | 300,047 |
| Additional paid-in capital [c] [h] | 7,439 | (236) | 7,203 |
| Deficit [a-h] | (129,886) | 1,081 | (128,805) |
| | **181,058** | **(2,613)** | **178,445** |
| **Total liabilities and shareholders' equity** | **$706,920** | **$(3,534)** | **$703,386** |

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

**Consolidated Statements of Cash Flows – for the year ended March 31, 2011**

| | US GAAP | Adjustments | Canadian GAAP |
|---|---|---|---|
| Cash (used in) provided by: | | | |
| **Operating activities:** | | | |
| Net loss for the period | $(34,650) | $8,964 | $(25,686) |
| Items not affecting cash: | | | |
| Depreciation | 39,440 | (111) | 39,329 |
| Equity in loss of unconsolidated joint venture | 2,720 | (2,720) | – |
| Amortization of intangible assets | 3,540 | 706 | 4,246 |
| Amortization of deferred lease inducements | (107) | – | (107) |
| Amortization of deferred financing costs | 1,609 | (823) | 786 |
| Amortization of premium on Series 1 Debentures | – | (370) | (370) |
| Loss on disposal of property, plant and equipment | 1,948 | – | 1,948 |
| Loss on disposal of assets held for sale | 825 | – | 825 |
| Realized foreign exchange gain on 8 3/4% senior notes | (732) | – | (732) |
| Unrealized gain on derivative financial instruments measured at fair value | (2,305) | (5,802) | (8,107) |
| Loss on debt extinguishment | 4,346 | (2,884) | 1,462 |
| Stock-based compensation expense | 8,156 | (1,367) | 6,789 |
| Accretion of asset retirement obligation | 35 | – | 35 |
| Deferred income taxes benefit | (9,340) | 1,688 | (7,652) |
| Net changes in non-cash working capital | (15,982) | 641 | (15,341) |
| | **(497)** | **(2,078)** | **(2,575)** |
| **Investing activities:** | | | |
| Acquisition, net of cash acquired | (23,501) | – | (23,501) |
| Purchase of property, plant and equipment | (36,417) | (453) | (36,870) |
| Additions to intangible assets | (4,748) | – | (4,748) |
| Investment in and advances to unconsolidated joint venture | (1,291) | 1,291 | – |
| Proceeds on disposal of property, plant and equipment | 499 | – | 499 |
| Proceeds on disposal of assets held for sale | 826 | – | 826 |
| | **(64,632)** | **838** | **(63,794)** |
| **Financing activities:** | | | |
| Repayment of credit facilities | (85,000) | – | (85,000) |
| Increase in credit facilities | 128,524 | – | 128,524 |
| Financing costs | (7,920) | – | (7,920) |
| Redemption of 8 3/4% senior notes | (202,410) | – | (202,410) |
| Issuance of Series 1 Debentures | 225,000 | – | 225,000 |
| Settlement of swap liabilities | (91,125) | – | (91,125) |
| Proceeds from stock options exercised | 963 | – | 963 |
| Repayment of capital lease obligations | (5,127) | – | (5,127) |
| | **(37,095)** | **–** | **(37,095)** |
| **Decrease in cash and cash equivalents** | **(102,224)** | **(1,240)** | **(103,464)** |
| Effect of exchange rate on changes in cash | (59) | – | (59) |
| Cash and cash equivalents, beginning of year | 103,005 | 1,240 | 104,245 |
| **Cash and cash equivalents, end of year** | **$722** | **$–** | **$722** |

**Consolidated Statements of Cash Flows – for the year ended March 31, 2010**

| | US GAAP | Adjustments | Canadian GAAP |
|---|---|---|---|
| Cash provided by (used in): | | | |
| **Operating activities:** | | | |
| Net income for the period | $28,219 | $955 | $29,174 |
| Items not affecting cash: | | | |
| Depreciation | 42,636 | (124) | 42,512 |
| Equity in earnings of unconsolidated joint venture | (44) | 44 | – |
| Amortization of intangible assets | 1,719 | 831 | 2,550 |
| Amortization of deferred lease inducements | (107) | – | (107) |
| Amortization of deferred financing costs | 3,348 | (2,486) | 862 |
| Loss on disposal of property, plant and equipment | 1,233 | – | 1,233 |
| Loss on disposal of assets held for sale | 373 | – | 373 |
| Unrealized foreign exchange gain on 8 3/4% senior notes | (48,920) | 496 | (48,424) |
| Unrealized loss on derivative financial instruments measured at fair value | 38,852 | – | 38,852 |
| Stock-based compensation expense | 5,270 | (46) | 5,224 |
| Cash settlement of stock options | (244) | – | (244) |
| Accretion of asset retirement obligation | 5 | – | 5 |
| Deferred income taxes | 9,876 | 372 | 10,248 |
| Net changes in non-cash working capital | (39,591) | (1,675) | (41,266) |
| | **42,625** | **(1,633)** | **40,992** |
| **Investing activities:** | | | |
| Acquisition, net of cash acquired | (5,410) | – | (5,410) |
| Purchase of property, plant and equipment | (51,888) | – | (51,888) |
| Additions to intangible assets | (3,362) | – | (3,362) |
| Investment in and advances to unconsolidated joint venture | (2,873) | 2,873 | – |
| Proceeds on disposal of property, plant and equipment | 1,440 | – | 1,440 |
| Proceeds on disposal of assets held for sale | 2,482 | – | 2,482 |
| | **(59,611)** | **2,873** | **(56,738)** |
| **Financing activities:** | | | |
| Repayment of long term debt | (6,906) | – | (6,906) |
| Increase in long term debt | 34,700 | – | 34,700 |
| Financing costs | (1,123) | – | (1,123) |
| Proceeds from stock options exercised | 53 | – | 53 |
| Repayment of capital lease obligations | (5,613) | – | (5,613) |
| | **21,111** | **–** | **21,111** |
| **Increase in cash and cash equivalents** | **4,125** | **1,240** | **5,365** |
| Cash and cash equivalents, beginning of year | 98,880 | – | 98,880 |
| **Cash and cash equivalents, end of year** | **$103,005** | **$1,240** | **$104,245** |

**Consolidated Statements of Cash Flows – for the year ended March 31, 2009**

| | US GAAP | Adjustments | Canadian GAAP |
|---|---|---|---|
| Cash provided by (used in): | | | |
| **Operating activities:** | | | |
| Net loss for the period | $(135,404) | $(2,473) | $(137,877) |
| Items not affecting cash: | | | |
| Depreciation | 36,389 | (162) | 36,227 |
| Amortization of intangible assets | 1,501 | 837 | 2,338 |
| Impairment of goodwill | 176,200 | – | 176,200 |
| Amortization of deferred lease inducements | (105) | – | (105) |
| Amortization of deferred financing costs | 2,970 | (2,162) | 808 |
| Loss on disposal of property, plant and equipment | 5,325 | – | 5,325 |
| Loss on disposal of assets held for sale | 24 | – | 24 |
| Unrealized foreign exchange loss on 8 3/4% senior notes | 46,466 | (606) | 45,860 |
| Unrealized gain on derivative financial instruments measured at fair value | (39,921) | 4,655 | (35,266) |
| Stock-based compensation expense | 2,305 | (55) | 2,250 |
| Accretion of asset retirement obligation | 155 | – | 155 |
| Deferred income taxes | 9,087 | (34) | 9,053 |
| Net changes in non-cash working capital | 46,193 | – | 46,193 |
| | **151,185** | **–** | **151,185** |
| **Investing activities:** | | | |
| Purchase of property, plant and equipment | (87,102) | – | (87,102) |
| Additions to intangible assets | (3,102) | – | (3,102) |
| Proceeds on disposal of property, plant and equipment | 11,164 | – | 11,164 |
| Proceeds on disposal of assets held for sale | 325 | – | 325 |
| | **(78,715)** | **–** | **(78,715)** |
| **Financing activities:** | | | |
| Proceeds from stock options exercised | 703 | – | 703 |
| Repayment of capital lease obligations | (6,156) | – | (6,156) |
| | **(5,453)** | **–** | **(5,453)** |
| **Increase in cash and cash equivalents** | **67,017** | **–** | **67,017** |
| Cash and cash equivalents, beginning of year | 31,863 | – | 31,863 |
| **Cash and cash equivalents, end of year** | **$98,880** | **$–** | **$98,880** |

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

**a) Capitalization of interest**

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

**b) Financing costs, discounts and premiums**

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

Effective April 1, 2007, the Company adopted CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement", on a retrospective basis without restatement. Although Section 3855 also requires the use of the effective interest method to account for the amortization of finance costs, the requirement to bifurcate the issuer's early prepayment option on issuance of debt (which is not required under US GAAP) resulted in an additional premium of $3,497 on the Series 1 Debentures that is being amortized over the term of the Series 1 Debentures under Canadian GAAP. The same was being done on the extinguished 8 3/4% senior notes. The unamortized premium is disclosed as part of the carrying amount of the "Series 1 Debentures" in the Consolidated Balance Sheets. Foreign denominated transaction costs, discounts and premiums on the 8 3/4% senior notes were considered as part of the carrying value of the related financial liability under Canadian GAAP and were subject to foreign currency gains or losses resulting from periodic translation procedures as they were treated as a monetary item under Canadian GAAP. Under US GAAP, foreign denominated transaction costs are considered non–monetary and are not subject to foreign currency gains and losses resulting from periodic translation procedures. The unamortized discounts and premiums on the 8 3/4% senior notes were expensed on the settlement of the 8 3/4% senior notes under both Canadian and US GAAP with a difference of $2,884.

In connection with the adoption of Section 3855, transaction costs incurred in connection with the Company's amended and restated credit agreement of $1,622 were reclassified from deferred financing costs to intangible assets on April 1, 2007 under Canadian GAAP and these costs continued to be amortized on a straight–line basis over the term of the credit facilities. Under US GAAP, the Company continues to amortize these transaction costs over the stated term of the related facilities using the effective interest method. The Company discloses the unamortized deferred financing costs related to the Series 1 Debentures, the 8 3/4% senior notes and the credit facilities as "Deferred financing costs" on the Consolidated Balance Sheets (March 31, 2011 – $7,672; March 31, 2010 – $6,725) with the amortization charge classified as "Interest expense" on the Consolidated Statement of Operations and Comprehensive (Loss) Income. Under Canadian GAAP, the unamortized financing costs related to the Series 1 Debentures (March 31, 2011 – $6,165) and the 8 3/4% senior notes (March 31, 2010 – $1,506) are included in "Series 1 Debentures" and "8 3/4% senior notes" respectively whilst the unamortized deferred financing costs in connection with the credit facilities (March 31, 2011 – $1,378; March 31, 2010 – $1,051) are included in "Intangible assets" on the Consolidated Balance Sheets resulting in a Canadian and US GAAP presentation difference.

**c) Stock–based compensation**

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

On September 22, 2010, the Company modified a senior executive employment agreement to allow the option holder the right to settle options in cash, which resulted in 550,000 stock options changing classification from equity to a long term liability. Under US GAAP, such modification is measured at fair value using a model such as Black–Scholes. Under Canadian GAAP, stock options that are cash settled are measured at the amount by which the quoted market value of the shares of the Company's stock covered by the grant exceeds the option price. This resulted in a measurement difference between US and Canadian GAAP. At March 31, 2011, the liability under US GAAP was measured at $5,115 of which $2,237 was transferred from additional paid-in capital and the difference of $2,878 was recognized as incremental compensation cost in the Consolidated Statements of Operations under general and administrative expenses. Under Canadian GAAP, the liability was measured at $3,795 resulting in a transfer of the same amount from additional paid-in capital and the difference of $1,558 was recognized as incremental compensation cost.

**d) Derivative financial instruments**

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

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

**e) NAEPI Series B Preferred Shares**

Prior to the modification of the terms of the NAEPI Series B preferred shares on March 30, 2006, there were no differences between Canadian GAAP and US GAAP related to the NAEPI Series B preferred shares. As a result of the modification of terms of NAEPI's Series B preferred shares, under Canadian GAAP, NACG continued to classify the NAEPI Series B preferred shares as a liability and was accreting the carrying amount of $42.2 million on the amendment date (March 30, 2006) to their December 31, 2011 redemption value of $69.6 million using the effective interest method. Under US GAAP, NACG recognized the fair value of the amended NAEPI Series B preferred shares as noncontrolling interest as such amount was recognized as temporary equity in the accounts of NAEPI in accordance with ASC 480-10-599, "Distinguishing Liabilities from Equity – SEC Materials" and recognized a charge of $3.7 million to retained earnings for the difference between the fair value and the carrying amount of the Series B preferred shares on the amendment date. Under US GAAP, NACG was accreting the initial fair value of the amended NAEPI Series B preferred shares of $45.9 million recorded on their amendment date (March 30, 2006) to the December 31, 2011 redemption value of $69.6 million using the effective interest method, which was consistent with the treatment of the NAEPI Series B preferred shares as temporary equity in the financial statements of NAEPI. The accretion charge was recognized by NACG as a charge to noncontrolling interest (as opposed to retained earnings in the accounts of NAEPI) under US GAAP and interest expense in NACG's financial statements under Canadian GAAP.

On November 28, 2006, NACG exercised a call option to acquire all of the issued and outstanding NAEPI Series B preferred shares in exchange for 7,524,400 common shares of NACG. For Canadian GAAP purposes, NACG recorded the exchange by transferring the carrying value of the NAEPI Series B preferred shares on the exercise date of $44,682 to common shares. For US GAAP purposes, the conversion has been accounted for as a combination of entities under common control as all of the shareholders of the NAEPI Series B preferred shares are also common shareholders of NACG resulting in the reclassification of the carrying value of the noncontrolling interest on the exercise date of $48,140 to common shares.

**f) Inventories**

Effective April 1, 2008, the Company retrospectively adopted CICA Handbook Section 3031, "Inventories", without restatement of prior periods. This standard requires inventories to be measured at the lower of cost and net realizable value and provides guidance on the determination of cost, including the allocation of overheads and other costs to inventories, the requirement for an entity to use a consistent cost formula for inventory of a similar nature and use, and the reversal of previous write-downs to net realizable value when there are subsequent increases in the value of inventories. This new standard also clarifies that spare component parts that do not qualify for recognition as property, plant and equipment should be classified as inventory. In adopting this new standard, the Company reversed a tire impairment that was previously recorded at March 31, 2008 in other assets of $1,383 with a corresponding decrease to opening deficit of $991 net of future taxes of $392.

**g) Joint venture**

Under US GAAP, the Company records its share of earnings of the JV using the equity method of accounting. Under Canadian GAAP, the Company uses the proportionate consolidation method of accounting for the JV. Under the proportionate consolidation method the Company recognizes its share of the results of operations, cash flows, and financial position of the JV on a line–by–line basis in its consolidated financial statements. While there is no effect on net income or earnings per share as a result of the US GAAP treatment of the joint venture, as compared to Canadian GAAP, there are

presentation differences affecting the disclosures in the consolidated financial statements and the supporting notes. Under Canadian GAAP, the following assets, liabilities, revenues and expenses and cash flows would be recorded using the proportionate consolidation method:

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Current assets | $4,164 | $4,476 |
| Long term assets | – | 77 |
| Current liabilities | 6,937 | 1,636 |
| Long term liabilities | – | 2,970 |
| Net equity | $(2,773) | $(53) |

| Year ended March 31 | 2011 | 2010 | 2009 |
|---|---|---|---|
| Gross revenues | $6,098 | $4,336 | $– |
| Gross loss (profit) | 1,241 | (805) | – |
| Expenses | 1,479 | 761 | – |
| Net loss (income) | $2,720 | $(44) | $– |

| Year ended March 31 | 2011 | 2010 | 2009 |
|---|---|---|---|
| Cash flow resulting from operating activities | $(2,078) | $(1,633) | $– |
| Cash flow resulting from investing activities | 838 | 2,873 | – |
| (Decrease) increase in cash and cash equivalents | $(1,240) | $1,240 | $– |

**h) Other matters**

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

**i) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk through management of its capital structure and financial leverage, as outlined in note 32(j). It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company believes that forecasted cash flows from operating activities, along with amounts available under the Revolving Facility, will provide sufficient cash requirements to cover the Company's forecasted normal operating and budgeted capital expenditures.

The Company's credit agreement contain covenants that restrict its activities, including, but not limited to, incurring additional debt, transferring or selling assets and making investments including acquisitions. Under credit agreement, Consolidated Capital Expenditures, as defined in the revolving credit agreement, during any applicable period cannot exceed 120% of the amount in the capital expenditure plan. In addition, the Company is required to satisfy certain financial covenants, including a minimum interest coverage ratio and a maximum senior leverage ratio, both of which are calculated using Consolidated EBITDA, as defined in the credit agreement, as well as a minimum current ratio.

As at March 31, 2011, the Company was in violation of certain financial covenants as defined within the credit agreement. On May 20, 2011, the Company obtained an amendment in connection with such covenants from its lenders resulting in compliance as at March 31, 2011. The Company considers it probable that they will be in compliance with these covenants throughout the fiscal year ending March 31, 2012.

The following are the undiscounted contractual cash flows of financial liabilities and other contractual cash flows measured at period end exchange rates:

| | Carrying Amount | Contractual Cash Flows | Fiscal year 2012 | 2013 | 2014 | 2015 | 2016 and Thereafter |
|---|---|---|---|---|---|---|---|
| Accounts payable and accrued liabilities (excluding liabilities related to equipment lease) | $104,159 | $104,159 | $104,159 | $– | $– | $– | $– |
| Liabilities related to equipment lease | 20,265 | 20,265 | 7,518 | 5,345 | 3,657 | 3,726 | 19 |
| Capital lease obligations (including interest) | 8,693 | 9,257 | 5,267 | 3,087 | 562 | 270 | 71 |
| Term facilities | 68,446 | 68,446 | 10,000 | 10,000 | 48,446 | – | – |
| Revolving facility | 3,524 | 3,524 | – | – | 3,524 | – | – |
| Series 1 Debentures | 225,000 | 225,000 | – | – | – | – | 225,000 |
| Accrued interest on Series 1 Debentures | 9,866 | 102,656 | 20,531 | 20,531 | 20,531 | 20,531 | 20,531 |

**j) Capital disclosures**

The Company's objectives in managing capital are to help ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. The Company defines capital that it manages as the aggregate of its shareholders' equity, which is comprised of issued capital, additional paid-in capital, accumulated other comprehensive income (loss). The Company manages its capital structure and makes adjustments to it in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue or repay long term debt, issue shares, repurchase shares through a normal course issuer bid, pay dividends or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as capital and operating budgets.

The Company monitors debt leverage ratios as part of the management of liquidity and shareholders' return and to sustain future development of the business. The Company is also subject to externally imposed capital requirements under its Credit Facilities and indenture agreement governing the 9.125% Series 1 Debentures, which contain 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. As at March 31, 2011, the Company was in violation of certain financial covenants as defined within the credit agreement. On May 20, 2011, the Company obtained an amendment in connection with such covenants from its lenders resulting in compliance as at March 31, 2011. The Company considers it probable that they will be in compliance with these covenants throughout the fiscal year ending March 31, 2012. The Company's overall strategy with respect to capital risk management remains unchanged from the year ended March 31, 2010.

In September 2009, the Company filed a base shelf prospectus covering the public offering of common shares in each of the provinces and territories of Canada and a related registration statement with the United States Securities and Exchange Commission. These filings allow the Company to offer and issue common shares to the public by way of one or more prospectus supplements at any time during the 25 month period following the filing of the prospectus with gross proceeds to the Company not to exceed $150.0 million. The prospectus also allows certain shareholders of the Company to offer all or part of their common shares to the public by way of one or more prospectus supplements.

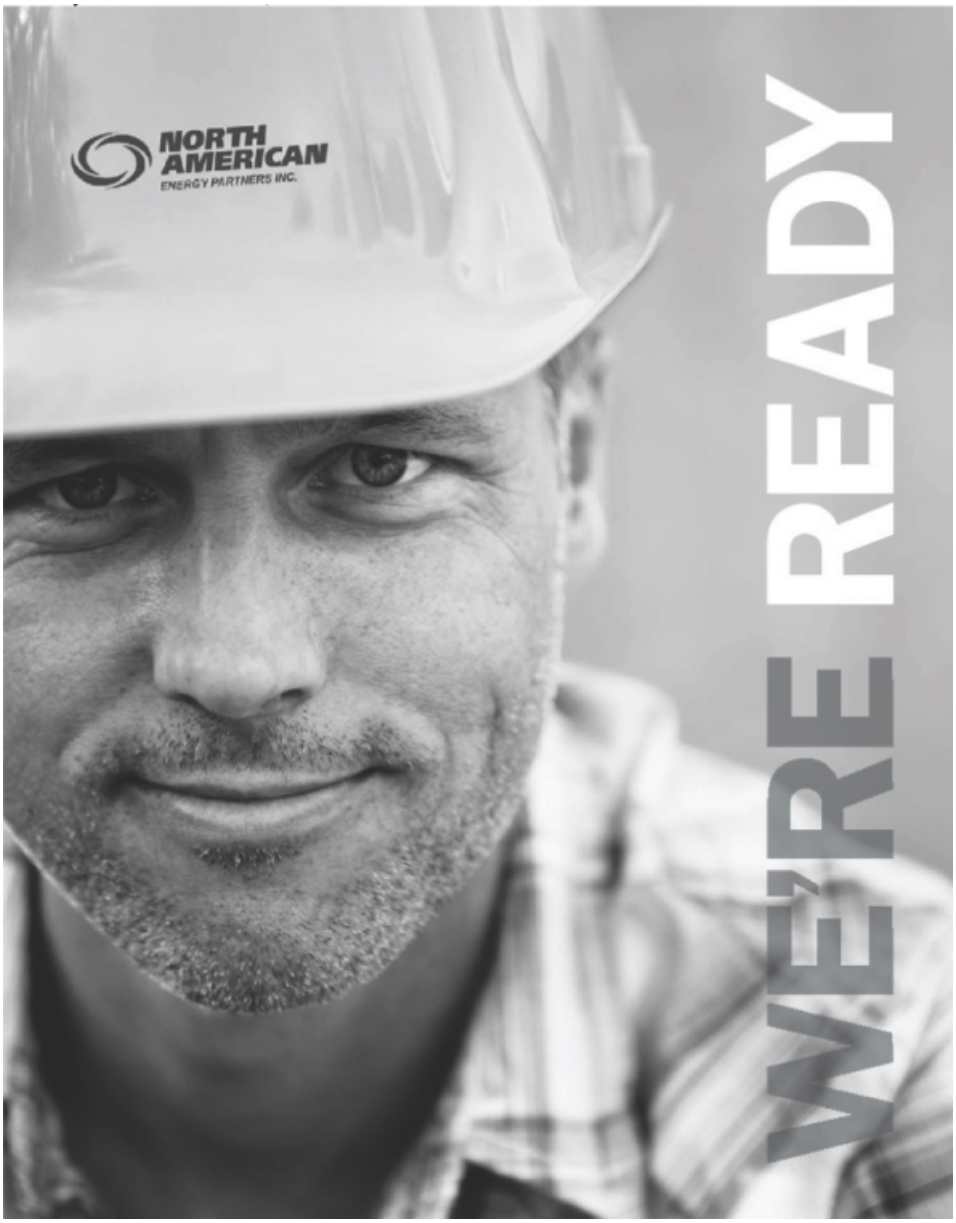
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**Exhibit 99.3**

**NORTH AMERICAN ENERGY PARTNERS INC.**

Management's Discussion and Analysis

For the year ended March 31, 2011



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## A. EXPLANATORY NOTES

**June 2, 2011**

*The following discussion and analysis is as of June 2, 2011 and should be read in conjunction with the attached audited consolidated financial statements for the year ended March 31, 2011 and notes that follow. These statements have been prepared in accordance with United States (US) generally accepted accounting principles (GAAP) and reconciled to Canadian GAAP. Except where otherwise specifically indicated, all dollar amounts are expressed in Canadian dollars. For additional information and details, readers are referred to the unaudited consolidated financial statements, notes that follow and the accompanying interim period Management's Discussion and Analysis (MD&A) for each interim period of fiscal 2011. The audited consolidated financial statements and additional information relating to our business, including our Annual Information Form, are available on the Canadian Securities Administrators' SEDAR System at* www.sedar.com*, the Securities and Exchange Commission's website at* www.sec.gov *and our company web site at* www.nacg.ca.

### CAUTION REGARDING FORWARD-LOOKING INFORMATION

Our MD&A is intended to enable readers to gain an understanding of our current results and financial position. To do so, we provide information and analysis comparing results of operations and financial position for the current year to those of the preceding two fiscal years. We also provide analysis and commentary that we believe is necessary to assess our future prospects. Accordingly, certain sections of this report contain forward-looking information that is based on current plans and expectations. This forward-looking information is affected by risks and uncertainties that could have a material impact on future prospects. Please refer to "Forward-Looking Information and Risk Factors" for a discussion of the risks and uncertainties related to such information. Readers are cautioned that actual events and results may vary.

### NON-GAAP FINANCIAL MEASURES

The body of generally accepted accounting principles applicable to us is commonly referred to as "GAAP". A non-GAAP financial measure is generally defined by the Securities and Exchange Commission (SEC) and by the Canadian securities regulatory authorities as one that purports to measure historical or future financial performance, financial position or cash flows, but excludes or includes amounts that would not be so adjusted in the most comparable GAAP measures. In our MD&A, we use non-GAAP financial measures such as "net income before interest expense, income taxes, depreciation and amortization" (EBITDA) and "Consolidated EBITDA" (as defined in our fourth amended and restated credit agreement, our "credit agreement"). Consolidated EBITDA is defined as EBITDA, excluding the effects of unrealized foreign exchange gain or loss, realized and unrealized gain or loss on derivative financial instruments, non-cash stock-based compensation expense, gain or loss on disposal of plant and equipment, the impairment of goodwill, the amendment related to the $42.5 million revenue writedown on the Canadian Natural overburden removal contract (described in the "Explanatory Notes — Significant Business Event" section of this MD&A, below) and certain other non-cash items included in the calculation of net income. We believe that EBITDA is a meaningful measure of the performance of our business because it excludes items, such as depreciation and amortization, interest and taxes that are not directly related to the operating performance of our business. Management reviews EBITDA to determine whether plant and equipment are being allocated efficiently. In addition, our credit facility requires us to maintain a minimum interest coverage ratio and a maximum senior leverage ratio, both of which are calculated using Consolidated EBITDA. Non-compliance with these financial covenants could result in our being required to immediately repay all amounts outstanding under our credit facility. As EBITDA and Consolidated EBITDA are non-GAAP financial measures, our computations of EBITDA and Consolidated EBITDA may vary from others in our industry. EBITDA and Consolidated EBITDA should not be considered as alternatives to operating income or net income as measures of operating performance or cash flows as measures of liquidity. EBITDA and Consolidated EBITDA have important limitations as analytical tools and should not be considered in isolation or as substitutes for analysis of our results as reported under US GAAP or Canadian GAAP. For example, EBITDA and Consolidated EBITDA do not:

- reflect our cash expenditures or requirements for capital expenditures or capital commitments;
- reflect changes in our cash requirements for our working capital needs;
- reflect the interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- include tax payments that represent a reduction in cash available to us; or
- reflect any cash requirements for assets being depreciated and amortized that may have to be replaced in the future.

Consolidated EBITDA excludes unrealized foreign exchange gains and losses and realized and unrealized gains and losses on derivative financial instruments, which, in the case of unrealized losses, may ultimately result in a liability that will need to be paid and in the case of realized losses, represents an actual use of cash during the period. Where relevant, particularly for earnings-based measures, we provide tables in this document that reconcile non-GAAP measures used to amounts reported on the face of the consolidated financial statements.

### ADOPTION OF UNITED STATES GAAP

As a Canadian-based company, we have historically prepared our consolidated financial statements in accordance with Canadian GAAP and provided reconciliations to United States (US) GAAP. In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that significantly affected financial reporting requirements for Canadian public companies. The AcSB strategic plan outlined the convergence of Canadian GAAP with International Financial Reporting

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Standards (IFRS) over an expected five-year transitional period. In February 2008, the AcSB confirmed that IFRS would be mandatory in Canada for profit-oriented publicly accountable entities for fiscal periods beginning on or after January 1, 2011, unless we, as a Securities and Exchange Commission (SEC) registrant and as permitted by National Instrument 52-107, were to adopt US GAAP on or before this date.

After significant analysis and consideration regarding the merits of reporting under IFRS or US GAAP, we decided to adopt US GAAP, commencing in fiscal 2010, as our primary reporting standard for our consolidated financial statements. Our audited consolidated financial statements for the year ended March 31, 2011, including related notes and this MD&A have therefore been prepared based on US GAAP. All comparative figures contained in these documents have been restated to reflect our results as if they had been historically reported in accordance with US GAAP as our reporting standard.

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

**SIGNIFICANT BUSINESS EVENT**

As announced in our press release, issued on May 18, 2011, we applied a writedown to the long-term overburden removal contract between our subsidiary, North American Construction Group Inc. (NACG) and Canadian Natural[1], for the Horizon Oil Sands mine near Fort McMurray, Alberta.

The unit-price contract with Canadian Natural includes certain escalation indices, determined at the time of the initial negotiations, which were intended to adjust pricing annually to reflect changes in economic conditions over the ten-year term of the contract. The contract specifically states that the indices were not intended to benefit either party at the expense of the other party and includes a mechanism for reviewing the indices if they are deemed not to be representative of the actual market over time. It is our position that the actual inflationary environment in Fort McMurray has varied significantly as compared to the indices per the contract, resulting in a negative financial impact to us. Accordingly, we have met with Canadian Natural and formed a joint working group that will be responsible for identifying indices that will more closely reflect the inflationary conditions that have occurred in the market place. We expect this group will deliver recommendations by August 31, 2011 and that the new indices will apply both prospectively and retrospectively.

Revenue on unit-price contracts with defined scope is recognized using the percentage-of-completion method, measured by the ratio of costs incurred to date to estimated total costs. The estimated total cost of the contract and percent complete is determined based upon estimates made by management. As the scope of the work to be done under the contract has been agreed upon but we have not yet agreed upon the exact adjustments to the indices, we reduced Heavy Construction and Mining segment revenue by $42.5 million on this contract for the three months and fiscal year ended March 31, 2011. The reduction of revenue on this contract (the "revenue writedown") reduced the total contract revenue to the extent of total costs incurred, representing a zero profit margin on the contract and reduced unbilled revenue by the same amount. Deferred tax expense was credited by $10.7 million with a corresponding reduction in our long-term deferred tax liability resulting in a $31.8 million reduction to net income. The accounting treatment was based on un-priced change order guidance found in FASB ASC 605-35-25-87, from which we have determined that it is probable that the costs will be recovered through an increase in the contract price for the escalation indices.

We anticipate that, if the new escalation indices recommended by the working group are adjusted as expected and we are assured beyond a reasonable doubt that the recommended indices have been authorized by Canadian Natural, all or a portion of the fiscal 2011 revenue writedown may be recognized as profit. None-the-less, until we are assured beyond a reasonable doubt that the escalation indices have been authorized by Canadian Natural, revenue will continue to be recognized only to the extent of costs incurred. ¿

Although we believe the acceptance of the revised indices to be probable, if the review of the indices being undertaken by the working group does not support our position or if the parties are not able to agree upon the appropriate adjustments, a further revenue writedown may be required in respect of all or a portion of unbilled revenue of up to $72.0 million related to the contract, in which event we will pursue any remedies we may have available to us.

Following our announcement of the revenue writedown to the market, on May 18, 2011, all our major oil sands customers were contacted and we believe they understood the reason for the revenue writedown and were not concerned that this issue would affect our ability to fulfill our contractual obligations to them.

[1] Canadian Natural Resources Limited (Canadian Natural).

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

On May 18, 2011 we were notified by Canadian Natural that we were to suspend overburden removal activities at their Horizon mine while Canadian Natural undertakes repairs to its primary upgrading facility, which was damaged in a fire in January 2011. The suspension of work notice is effective until January 2, 2012.

As a result of the revenue writedown on the Canadian Natural long-term overburden removal contract, we were not in compliance with certain existing financial covenants, as at March 31, 2011 on our credit agreement. On May 20, 2011, we received an amendment to our credit agreement, from our lenders, to exclude the $42.5 million revenue writedown on our long-term overburden removal contract with Canadian Natural when determining Consolidated EBITDA (as defined in our credit agreement) related covenant compliance. This amendment ensures that this writedown will not result in a breach of Consolidated EBITDA (as defined in our credit agreement) related covenant compliance at March 31, 2011 or any future date.

**This isolated issue is not expected to negatively impact any of our other operations and despite the writedown on this contract our current financial position is not materially affected.¿**

## B. BUSINESS OVERVIEW AND STRATEGY

### BUSINESS OVERVIEW

We provide a wide range of heavy construction and mining, piling and pipeline installation services to customers in the Canadian oil sands, industrial construction, commercial and public construction and pipeline construction markets. Our primary market is the Canadian oil sands, where we support our customers' mining operations and capital projects. While we provide services through all stages of an oil sands project's lifecycle, our core focus is on providing recurring services, such as contract mining, during the operational phase. For the year ended March 31, 2011, recurring services represented 81% of our oil sands business. Our principal oil sands customers include all four producers that are currently mining bitumen in Alberta: Syncrude[2], Suncor[3], Shell[4] and Canadian Natural. We focus on building long-term relationships with our customers, having provided services to each of these customers since inception of their respective projects, which equates to over 30 years of providing service to Syncrude and Suncor.

We believe that we operate the largest fleet of equipment of any contract resource services provider in the oil sands. Our total fleet (owned, leased and rented) includes approximately 780 pieces of diversified heavy construction equipment supported by over 750 ancillary vehicles. While our expertise covers mining, heavy construction, tailings management and mine reclamation services, underground services installation (fire lines, sewer, water, etc.) for industrial projects and piling and pipeline installation in many different types of locations, we have a specific capability operating in the harsh climate and difficult terrain of northern Canada, particularly in the Canadian oil sands.

We believe that our excellent safety record, coupled with our significant oil sands knowledge, experience, long-term customer relationships, equipment capacity, scale of operations and broad service offering, differentiate us from our competition. In addition, we believe that these capabilities will enable us to support our customers' new oil sands developments and expansions, as well as the ever-increasing volume of recurring services generated by existing oil sands mines.¿

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

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

[3] Suncor Energy Inc. (Suncor).

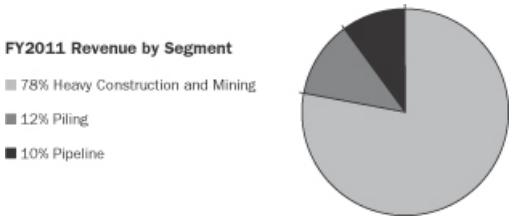
[4] Shell Canada Energy (Shell), a division of Shell Canada Limited, which is the operator of the oil sands mining and extraction operations on behalf of Athabasca Oil Sands Project (AOSP), a joint venture amongst Shell Canada Limited (60%), Chevron Canada Limited (20%) and Marathon Oil Corporation (20%).

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

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**OPERATIONS OVERVIEW**

Our business is organized into three operating segments: (i) Heavy Construction and Mining, (ii) Piling and (iii) Pipeline. Revenue generated from these three segments for the year ended March 31, 2011 is represented in the chart below:




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

**Heavy Construction and Mining**

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

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

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

**Piling**

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

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

**Pipeline**

Our Pipeline segment focuses on infrastructure development for oil and gas pipeline systems, including gathering and processing, transmission, storage and distribution, complete with related maintenance and other specialty services. Our Pipeline segment is respected in the industry and is known for its ability to execute technically and environmentally challenging projects for Canada's largest energy companies. The Pipeline segment has capacity and resources to handle pipe ranging in size from 2-inch to 60-inches in diameter and operates across numerous remote geographical locations simultaneously.

This segment's volume is currently being driven by high activity related to the Canadian oil sands, and shale gas plays such as the Horn River and Muskwa formations in North East British Columbia; some of the world's largest proven reserves. Further, aging infrastructure demands regular recurring pipeline and related facility maintenance to ensure regulatory and production requirements are sustained. Canada continues to be a strong energy market due to it having a low perceived political risk and a secure, reliable source of energy and the ability to continually attract capital for infrastructure development in the oil & gas pipeline industry.

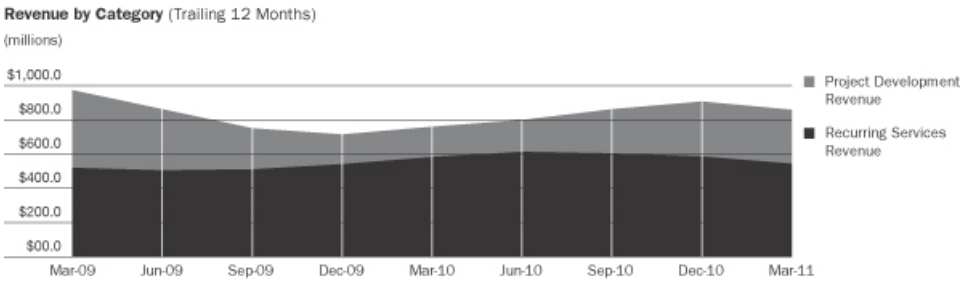
5 We acquired the assets of Cyntech Corporation, a private Alberta-based company and Cyntech Anchor Systems LLC, its US based subsidiary, (collectively Cyntech) as at November 1, 2010. To facilitate the acquisition of Cyntech's assets, we established two Canadian subsidiaries, namely Cyntech Canada Inc.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

## REVENUE SOURCES

### Revenue by Category

Historically, we have experienced steady growth in recurring services revenue from operating oil sands projects, although production at some of our customers' operations has recently been negatively impacted by a string of unique events which has negatively affected our recurring services revenue. Going forward, we expect to see a return to growth in recurring services revenue as activity levels increase at existing mines and new oil sands projects move from construction into the operational phase. Project development revenue, by contrast, declined significantly after September 2008, reflecting the impact of economic conditions on large-scale capital projects. However, as economic conditions have strengthened, several major oil sands projects have returned to the active planning and development stages and bidding activity level in the commercial and industrial construction markets and pipeline construction sector are strong.¿

The following graph displays the breakdown of recurring services revenue and project development services revenue for the rolling, trailing 12-month periods at three-month intervals, from March 31, 2009 to March 31, 2011:




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

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

- *Long-term contracts*. This category of revenue consists of revenue generated from long-term contracts (greater than one year) with total contract values greater than $20.0 million. These contracts are for work that supports the operations of our customers and include long-term contracts for overburden removal and reclamation. Revenue in this category is typically generated under unit-price contracts and is included in our calculation of backlog. This work is generally funded from our customers' operating budgets.
- *Site Services Contracts*. This category of revenue is generated from the master services agreements in place with Syncrude and Shell, specific project contracts such as the truck rental contract with Suncor and ad hoc work on an as-needed basis, such as work being done on a time-and-materials basis to service operations of Canadian Natural. This revenue is typically generated by supporting the operations of our customers and is therefore considered to be recurring. It is primarily generated under time-and-materials contracts and because it is not guaranteed, it is not included in our calculation of backlog. This work is generally funded from our customers' operating or maintenance capital budgets.

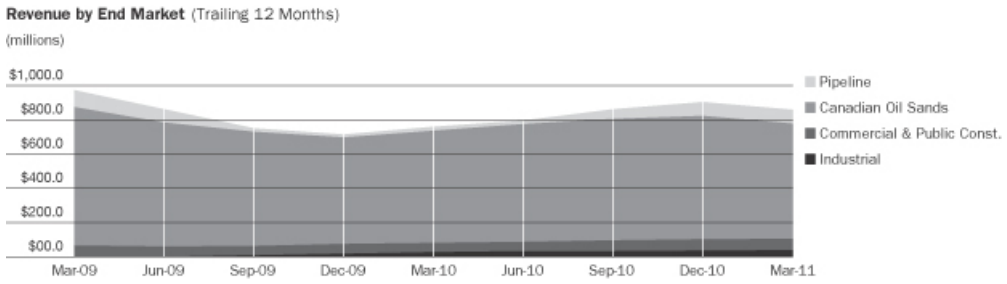
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## END MARKETS OVERVIEW

### Revenue by End Market

During the fiscal year ended March 31, 2011, we provided services to four distinct end markets: Canadian oil sands; commercial and public construction, industrial construction and pipeline construction.

The following graph displays the breakdown of revenue by end market for the rolling, trailing 12-month periods at three-month intervals, from March 31, 2009 to March 31, 2011:




### Canadian Oil Sands Market

Our core market is the Canadian oil sands, where we generated 78% of our fiscal 2011 revenue. According to the Canadian Association of Petroleum Producers (CAPP), the oil sands represent 97% of Canada's recoverable oil reserves. At 170 billion barrels, the Canadian oil sands deposits are second only to those of Saudi Arabia. The oil sands are located primarily in three regions of northern Alberta: Athabasca, Cold Lake and Peace River. In 2010, oil sands production reached 1.5 million barrels per day ("bpd"), representing 52.9% of Canada's total oil production for that same year.

Oil sands are grains of sand covered by a thin layer of water and coated by heavy oil or bitumen. Bitumen, because of its structure, does not flow and therefore requires non-conventional extraction techniques to separate it from the sand and other foreign matter. There are currently two main methods of extraction: (i) open pit mining, where bitumen deposits are sufficiently close to the surface to make it economically viable to recover the bitumen by treating mined sand in a surface plant; and (ii) in situ technology, where bitumen deposits are buried too deep for open pit mining to be cost effective and operators instead inject steam into the deposit, lowering the viscosity of the bitumen so that the bitumen can be separated from the sand and pumped to the surface, leaving the sand in place. Steam Assisted Gravity Drainage (typically known as "SAGD") is a type of in situ technology that uses horizontal drilling to produce bitumen. CAPP estimates that approximately 20% of the oil sands are recoverable through open pit mining. Open pit mining projects tend to have greater production capacity than in situ technology. For example, approximately 52% of 2010 oil sands production was extracted from five active mining projects, while the remaining 48% was extracted from approximately 17 active in situ projects. While the number of active and planned in situ projects far exceeds the number of mining projects, according to CAPP and other industry forecasts, future total production from mining and in situ technology is expected to remain approximately equal.

Although we have provided and intend to continue providing construction services to in situ projects, we currently provide most of our services to customers that access the oil sands through open pit mines. The three-to-four year initial construction and development phase of a new mine or in situ project creates demand for our project development services, such as clearing, site preparation, piling and underground utilities installation. Once the construction phase of an in situ project is complete, there is little opportunity for us to provide recurring services. In contrast, after the initial construction phase of a mining project is complete, the mine moves into the 30-40 year operational phase and demand shifts from project development services to recurring services such as surface mining, overburden removal, labour and equipment supply, mine infrastructure development and maintenance and land reclamation.¿

Approximately 81% of our oil sands-related revenue for the year ended March 31, 2011 came from the provision of recurring services to existing oil sands projects, with the balance coming from project development services.

Project Development Services: Demand for project development services in the oil sands is primarily driven by new developments and expansions. We support our customers' new development and expansion projects by providing construction services such as clearing, site preparation, piling and underground utilities installation. Between 2000 and 2010, over $113 billion of capital was invested into the oil sands, the core market for our project development services.

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

Recurring Services: Demand for recurring oil sands services enjoys a high degree of stability due to the immense up-front capital investment associated with oil sands operations and the consequent need to operate at full capacity to achieve low per-unit operating costs. In addition, the harsh climate of northern Alberta makes it difficult for producers to shut down for extended periods of time. The costs and operational risks associated with a production stoppage longer than a single summer season (such as a planned maintenance shutdown) make an extended shutdown economically unviable for oil sands producers.

Growth in demand for our recurring services business, excluding the recent reduction in this category as a result of the Canadian Natural revenue writedown, is driven by both increased production levels in the oil sands and the inherent need for additional support services through the lifecycle of a mine. Increases in production levels are achieved when new mines enter the production phase and when existing mines eliminate bottlenecks and/or expand their existing operations. In each case, the required output from the extraction process increases, resulting in higher demand for the recurring services we provide, such as overburden removal, equipment and labour supply, mine maintenance and reclamation services.

The requirement for recurring services also typically grows as mines age. Mine operators tend to construct their plants closest to the easy-to-access bitumen deposits (less overburden and/or higher quality bitumen) to maximize profitability and cash-flow at the beginning of their projects. As the mines move through their typical 40+ year life cycle, easy-to-access, high quality bitumen deposits are depleted and operators must go greater distances and move more material to secure the required volume of oil sand to feed the plant at capacity.[6] As a result, the total capacity of digging and hauling equipment must increase, together with an increase in the ancillary equipment and services needed to support these activities. In addition, as the mine extends to new areas of the lease, operators will often relocate mine infrastructure in order to reduce haul distances. This creates demand for mine construction services in the expansion area, as well as reclamation services to remediate the mined-out area. Accordingly, the demand for recurring oil sands services continues to grow even during periods of stable production because the geographical footprints of existing mines continue to expand under normal operation.

*Current Canadian Oil Sands Business Conditions*

Project Development: As economic conditions have strengthened, several oil sands projects have returned to the active planning and development stages. Suncor and Total[7] are pooling their manpower and capital resources and sharing risk with a strategic alliance to develop Suncor's Fort Hills[8] mine and Voyageur[9] upgrader project and Total's Joslyn[10] mine project. Exxon continues with construction of its Kearl[11] mine as the project moves to the above ground construction and mine development phase of the project and Syncrude is planning a number of major mining projects, including the relocation of four mine trains.

A number of in-situ projects are also proceeding, including Husky Energy's Sunrise[12], ConocoPhillips' Surmont[13], Cenovus Energy's Foster Creek and Christina Lake[14], as well as Devon Canada's[15] Jackfish projects. In addition, Suncor is proceeding with additional stages of its Firebag in situ project. The increase in activity is reflected in CAPP's revised estimate of industry capital spending for oil sands development, which increased to $13 billion for 2010, compared to $11 billion in 2009.

Oil sands operators are also increasing spending on tailings and reclamation projects in response to new environmental regulations. Suncor and Syncrude have announced 2011 capital spending plans that include investments of $670 million and $480 million respectively in tailings management. We expect these investments to create opportunities for our new Tailings and Environmental Construction division to support the construction and operation of the new reclamation processes.¿

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

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

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

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

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

11 Exxon Kearl (Exxon Kearl) oil sands mining and extraction project. Imperial Oil Limited holds a 70.96% participating interest in the Kearl oil sands project, a joint venture with ExxonMobil Canada Properties, a subsidiary of Exxon Mobil Corporation. Imperial Oil Limited, whose majority shareholder is Exxon Mobil Corporation, is the project operator.

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

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

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

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

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

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Recurring Services: With the commissioning of Canadian Natural's Horizon mine and Shell's Jackpine mine, oil sands mining production capacity has increased and expanded the market for recurring services. While production at our customers' operations has been negatively impacted by a string of unique events, including start-up delays at Horizon, a plant fire at Suncor and most recently, a plant fire at Canadian Natural, overall demand for our recurring services has remained stable over this period. Currently all mines, other than Canadian Natural's Horizon mine, are producing at planned capacity. The Horizon project is expected to recommence oil production in a number of stages, returning to full capacity by the end of 2011 when repairs are completed. However, our overburden removal activities, having continued at full operational capacity for some four and a half months following the fire, have now been shut down and will not be required to recommence work before January 2, 2012.

With three of the four active oil sands mines expected to be operating throughout this year and Exxon's Kearl mine and Canadian Natural's Horizon mine scheduled to be producing in early 2012, the outlook for recurring services demand remains positive.¿

**Commercial and Public Construction Market**

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

*Current Commercial and Public Construction Business Conditions*

Construction activity in Canada has been strengthening as evidenced by the 33% year-over-year increase in the value of industrial building permits and the 11% rise in the value of commercial building permits in 2010 compared to 2009. The recovery is being led by institutional and governmental construction, which according to Statistics Canada, experienced a 10% year-over-year increase in value of building permits issued in calendar 2010, compared to 2009. We also expect to benefit from increased construction spending in the private sector over the coming years as the economy continues to recover.¿

**Industrial Construction Market**

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

The resource mining industry presents a special interest for us, with Canada being one of the largest mining nations in the world, producing more than 60 different minerals and metals. In particular, Canada is the world's largest producer of potash, accounting for more than one third of the world's potash production and exports. We have recently begun providing services to this sector through our Piling segment. With several potash mine expansions and new developments in the planning stages, we believe this is a growing market for our construction services.¿

While potash deposits are mainly located in Saskatchewan, minerals such as copper, gold, coal and cobalt are prevalent in British Columbia. There are approximately 24 mine development projects under consideration for permits and environmental approvals in British Columbia and we expect this to create strong demand for mining services. This rising demand outside the oil sands not only creates opportunities for us to compete for this work but also potentially reduces the number of competitors looking for work in the oil sands.¿

The conventional oil and gas industry is another source of industrial construction projects. Currently, we are providing industrial and piling services to CCRL's[16] heavy oil upgrader revamp and expansion project in Regina. Through our recent acquisition of Cyntech, we have also added screw piling, pipeline anchors and tank services capabilities, all of which have expanded our presence in the conventional oil and gas industry. We believe our newly acquired screw piling capabilities will also position us to service Canada's power transmission sector, which is expected to experience significant investment over the next decade.¿

*Current Industrial Construction Business Conditions*

Despite continued economic uncertainty, Canada's resource mining sector performance improved in 2010 as evidenced by a 35% increase in exploration spending compared to 2009. Higher commodity prices, ownership changes and major capital investments contributed to this recovery. Looking forward, resource mining development activity is expected to return to the robust levels that prevailed prior to the economic downturn, with capital investment in exploration and development expected to reach increased levels in 2011.¿

As economic conditions improve, many refinery projects are also returning to the active state. We plan to build on our experience with CCRL to pursue opportunities within the refinery construction market. As outlined above, we are also pursuing opportunities in the power distribution industry as we leverage the new capabilities acquired through the Cyntech acquisition.

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

[16] Consumers Co-operative Refinery Limited is a wholly owned subsidiary of Federated Co-operatives Limited.

**Pipeline Construction Market**

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

According to the Canadian Energy Pipeline Association (CEPA), Canada has over 580,000 kilometers of pipeline, which transports approximately 2.7 million barrels of crude oil and equivalents per day and 15.1 billion cubic feet of natural gas per day to various distribution points in Canada and the US. CAPP reports that a number of pipeline expansions were completed and started operating in 2010, extending Canadian capacity by 885,000 barrels per day. An additional 855,000 barrels per day of pipeline capacity has been approved and could go into service over the next few years.

*Current Pipeline Construction Business Conditions*

While depressed economic conditions created a highly competitive market environment in fiscal 2010 and 2011, conditions are expected to improve following the announcement of various new pipeline projects in Western Canada. These new projects are designed to address expected increases in oil and gas production in the region. Toward the end of fiscal 2011, we began to see a sharp increase in bidding activity. In addition, the need for maintenance of existing pipelines has come under greater scrutiny in the last 12 months, following a number of significant incidents where pipeline leaks have cause damage to the environment. Accordingly, we anticipate increasing near-term demand for small and large pipeline projects and expansions and for large maintenance contracts, all of which should in turn, support improved pricing and reduced risk on new contracts.¿

**OUR STRATEGY**

Our strategy is to be an integrated service provider for the developers and operators of resource-based industries in a broad and often challenging range of environments. More specifically, our strategy is to:

- **Enhance safety culture:** We are committed to elevating the standard of excellence in health, safety and environmental protection with continuous improvement, greater accountability and compliance.
- **Increase our recurring revenue base:** It is our intention to continue expanding our recurring services business to provide a larger base of stable revenue.
- **Leverage our long-term relationships with customers:** We intend to continue building our relationships with existing oil sands customers to win a substantial share of the heavy construction and mining, piling and pipeline services outsourced in connection with their projects.
- **Leverage and expand our complementary services:** Our service segments, Heavy Construction and Mining, Pipeline and Piling are complementary to one another and allow us to compete for many different kinds of business opportunities. We intend to build on our "first-in" position to cross-sell our many services, while also pursuing selective acquisition opportunities that expand our complementary service offerings, increase our recurring revenues and/or reduce the overall capital intensity of the business.
- **Enhance operating efficiencies to improve revenues and margins:** We aim to increase the availability and efficiency of our equipment through enhanced maintenance, providing the opportunity for improved revenue, margins and profitability.
- **Position for future growth:** We intend to build on our market leadership position and successful track record with our customers to benefit from future oil sands development. We intend to use our fleet size and management capability to respond to new opportunities as they arise.
- **Increase our presence outside the oil sands:** We intend to extend our services to other resource industries across Canada. Canada has significant natural resources and we believe that we have the equipment and the expertise to assist with extracting those resources.

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

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## C. FINANCIAL RESULTS

### SUMMARY OF CONSOLIDATED ANNUAL RESULTS

| (dollars in thousands, except per share amounts) | Year Ended March 31, 2011 | % of Revenue | 2010 | % of Revenue | 2009 | % of Revenue | 2011 vs 2010 Change | 2011 vs 2009 Change |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | **$858,048** | **100.0%** | **$758,965** | **100.0%** | **$972,536** | **100.0%** | **$99,083** | **$(114,488)** |
| Project costs | 456,119 | 53.2% | 301,307 | 39.7% | 505,026 | 51.9% | 154,812 | (48,907) |
| Equipment costs | 234,933 | 27.4% | 209,408 | 27.6% | 217,120 | 22.3% | 25,525 | 17,813 |
| Equipment operating lease expense | 69,420 | 8.1% | 66,329 | 8.7% | 43,583 | 4.5% | 3,091 | 25,837 |
| Depreciation | 39,440 | 4.6% | 42,636 | 5.6% | 36,389 | 3.7% | (3,196) | 3,051 |
| **Gross profit** | **58,136** | **6.8%** | **139,285** | **18.4%** | **170,418** | **17.5%** | **(81,149)** | **(112,282)** |
| General and administrative expenses | 59,932 | 7.0% | 62,530 | 8.2% | 74,460 | 7.7% | (2,598) | (14,528) |
| Operating (loss) income | (10,829) | -1.3% | 73,474 | 9.7% | (87,092) | -9.0% | (84,303) | 76,263 |
| **Net (loss) income** | **(34,650)** | **-4.0%** | **28,219** | **3.7%** | **(135,404)** | **-13.9%** | **(62,869)** | **100,754** |
| Per share information | | | | | | | | |
| Net (loss) income – basic | $(0.96) | | $0.78 | | $(3.76) | | $(1.74) | $2.80 |
| Net (loss) income – diluted | (0.96) | | 0.77 | | (3.76) | | (1.73) | 2.80 |
| EBITDA(1) | $31,873 | 3.7% | $112,333 | 14.8% | $(53,269) | -5.5% | $(80,460) | $85,142 |
| **Consolidated EBITDA(1)** (as definedwithin the credit agreement) | **$84,101** | **9.8%** | **$121,644** | **16.0%** | **$139,446** | **14.3%** | **$(37,543)** | **$(55,345)** |

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

| (dollars in thousands) | Year Ended March 31, 2011 | 2010 | 2009 |
|---|---|---|---|
| Net (loss) income | $(34,650) | $28,219 | $(135,404) |
| Adjustments: | | | |
| Interest expense | 29,991 | 26,080 | 29,612 |
| Income taxes (benefit) | (6,448) | 13,679 | 14,633 |
| Depreciation | 39,440 | 42,636 | 36,389 |
| Amortization of intangible assets | 3,540 | 1,719 | 1,501 |
| **EBITDA** | **$31,873** | **$112,333** | **$(53,269)** |
| Adjustments: | | | |
| Unrealized foreign exchange (gain) loss on senior notes | – | (48,920) | 46,466 |
| Realized and unrealized (gain) loss on derivative financial instruments | (2,305) | 54,411 | (37,250) |
| Loss on disposal of property, plant and equipment and assets held for sale | 2,773 | 1,606 | 5,349 |
| Stock-based compensation expense | 2,191 | 2,258 | 1,950 |
| Equity in loss (earnings) of unconsolidated joint venture | 2,720 | (44) | – |
| Loss on debt extinguishment | 4,324 | – | – |
| Revenue writedown on Canadian Natural project | 42,525 | – | – |
| Impairment of goodwill | – | – | 176,200 |
| **Consolidated EBITDA** | **$84,101** | **$121,644** | **$139,446** |

### ANALYSIS OF ANNUAL CONSOLIDATED RESULTS

**Revenue**

For the year ended March 31, 2011, revenues were $858.0 million, $99.1 million higher than in the year ended March 31, 2010 and $114.5 million lower than in the year ended March 31, 2009. The current year increase in revenues was achieved despite a $42.5 million revenue writedown resulting from the revenue writedown on our long-term overburden removal contract with Canadian Natural, discussed in the “Explanatory Notes—Significant Business Event” section of this MD&A. The year-over-year revenue growth reflects increased mining services provided to Suncor, Syncrude and Canadian Natural in the oil sands, increased project development activity provided to Shell, Suncor, Exxon and Canadian Natural, a significant increase in Pipeline segment revenues and a resurgence of activity in the commercial and industrial construction markets. Recurring services volumes at Shell’s sites declined as a result of the ramp up of production at their Jackpine site and a major maintenance program undertaken by this customer at their Muskeg River Mine site during the first half of the year.

**Gross profit**

For the year ended March 31, 2011, gross profit was $58.1 million, a decrease of $81.1 million from the previous year and a decrease of $112.3 million from the year ended March 31, 2009. Gross profit would have been $100.7 million (11.2% of revenue), excluding the effect of the $42.5 million revenue writedown on the Canadian Natural long-term overburden removal project. The change in gross profit primarily reflects an increased proportion of lower-margin overburden removal activity as part of our overall project mix, losses incurred on two Pipeline projects along with competitive pressures on pricing in contracts signed in the prior-year. As a percentage of revenue, gross profit margin dropped to 6.8% compared to 18.4% at the year ended March 31, 2010 and 17.5% for the year ended March 31, 2009.

Project costs, as a percentage of revenue, were 53.2% during the year ended March 31, 2011, compared to 39.7% for the year ended March 31, 2010 and 51.9% for the year ended March 31, 2009. Increased project development activity in the oil sands and increases in labour and material-intensive piling and pipeline activity were contributing factors in this increase. Equipment costs represented 27.4% of revenue during the year ended March 31, 2011, compared to 27.6% in 2010 and 22.3% in 2009. The small reduction compared to the same period in 2010 reflects a decrease in equipment-intensive recurring services activity, partially offset by increased use of higher-cost rental equipment to support project development activity in the oil sands and increased activity in our Pipeline segment. The increase over 2009 reflects the change in project mix from the less equipment intensive project development activity and the use of higher-cost rental equipment in the current year.

Equipment operating lease expense was $69.4 million during the year ended March 31, 2011 compared to $66.3 million and $43.6 million in fiscal 2010 and 2009. The increase from the 2009 fiscal year reflects the full-year impact of overburden removal equipment acquired late in the year ended March 31, 2009 to support full production on our long-term contract with Canadian Natural.

**Operating (loss) income**

For the year ended March 31, 2011, we recorded an operating loss of $10.8 million, compared to operating income of $73.5 million, or 9.7% of revenue during the year ended March 31, 2010 and an operating loss of $87.1 million during the year ended March 31, 2009. Excluding the revenue writedown on our long-term overburden removal contract with Canadian Natural, operating income for the year ended March 31, 2011 would have been $31.7 million, or 3.5% of revenue. The operating loss for the year ended March 31, 2009 included a charge of $176.2 million for goodwill impairment. Excluding this impairment, operating income for fiscal 2009 would have been $89.1 million or 9.2% of revenue. General and administrative ("G&A") expense of $59.9 million for the year ended March 31, 2011 was $2.6 million and $14.5 million lower than in the years ended March 31, 2010 and March 31, 2009, respectively. The decrease compared to fiscal 2010 reflects a reduction in the estimated payout of the short-term profit sharing program, partially offset by a $2.9 million year-over-year increase to stock-based compensation expense. This increase in stock-based compensation expense reflects a partial restructuring of the stock option and executive compensation plans, along with the impact of share price increases on the stock-based compensation. The decrease compared to fiscal 2009 reflects the benefits of reorganization and cost reduction initiatives implemented in late fiscal 2009 and a reduction in the estimated payout of the short-term profit sharing program, partially offset by the increase in stock-based compensation expense.

**Net (loss) income**

For the year ended March 31, 2011, we recorded a net loss of $34.7 million (basic loss per share of $0.96), compared to net income of $28.2 million (basic income per share of $0.78 and diluted income per share of $0.77) for the year ended March 31, 2010 and a net loss of $135.4 million (basic loss per share of $3.76) for the year ended March 31, 2009. As discussed in the "Explanatory Notes—Significant Business Event" section of this MD&A, revenue and gross profit for the fiscal year ended March 31, 2011 were reduced by a $42.5 million revenue writedown ($31.8 million after tax loss) related to the long-term overburden removal project with Canadian Natural. Excluding the revenue writedown, net loss would have been $2.9 million (basic loss per share of $0.08) for the year ended March 31, 2011. Non-cash items affecting the current year results included unrealized gains on embedded derivatives in certain supplier contracts and a long term customer contract. These gains were offset by the write-off of deferred financing costs on the settlement of the 8 3/4% senior notes and losses on the cross-currency and interest rate swaps. Excluding the non-cash items and the revenue writedown, net loss would have been $0.7 million (basic loss per share of $0.02) for the year ended March 31, 2011.

Net income for the year ended March 31, 2010 was positively affected by the foreign exchange impact of the strengthening Canadian dollar on our 8 3/4% senior notes, gains on the interest rate swaps, gains relating to embedded derivatives in long-term supplier contracts and redemption option in our 8 3/4% senior notes. These items were partially offset by a loss on our cross-currency swaps and a loss relating to embedded derivatives in a long-term customer contract. Excluding the non-cash items, net income for the year ended March 31, 2010 would have been $20.9 million (basic income per share of $0.58 and diluted income per share of $0.57). Net income for the year ended March 31, 2009 was negatively affected by the non-cash impact of the goodwill impairment charge as described above, foreign exchange impact of the weakening of the Canadian dollar on our 8 3/4% senior notes, loss on our interest rate swap, loss related to embedded derivatives in a long-term customer contract, long-term supplier contracts and a redemption option in our 8 3/4% senior notes. These losses were partially offset by the gain on our cross-currency swaps. Excluding these items, net income for the year ended March 31, 2009 would have been $44.4 million (basic income per share of $1.23 and diluted income per share of $1.21).

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**SEGMENT ANNUAL RESULTS**

**Heavy Construction and Mining**

| (dollars in thousands) | Year Ended March 31, 2011 | 2010 | 2009 | Changes 2011 vs 2010 | 2011 vs 2009 |
|---|---|---|---|---|---|
| Segment revenue | $667,037 | $665,514 | $716,053 | $1,523 | $(49,016) |
| Segment profit | $50,703 | $111,016 | $109,580 | $(60,313) | $(58,877) |
| Segment margin | 7.6% | 16.7% | 15.3% | | |

For the year ended March 31, 2011, the Heavy Construction and Mining segment reported revenue of $667.0 million, comparable to the $665.5 million in the same period last year and a $49.0 million decrease from the year ended March 31, 2009. As discussed in the “Explanatory Notes—Significant Business Event” section of this MD&A, revenue for the fiscal year ended March 31, 2011 was reduced by a $42.5 revenue writedown related to the Canadian Natural overburden removal contract. In addition, the commissioning of Shell’s Jackpine mine and a major upgrader maintenance program undertaken by this customer earlier this year reduced demand for our site support services. Offsetting these factors was increased recurring services demand from Suncor and Canadian Natural and higher project development revenues from Exxon, Shell and Canadian Natural. Revenue for the year ended March 31, 2010 was negatively affected by the commissioning of Canadian Natural’s Horizon Mine, a fire at Suncor’s upgrading facility, a major upgrader maintenance program undertaken by Syncrude and increased competition for work at the Syncrude sites.

For the year ended March 31, 2011, Heavy Construction and Mining segment margin decreased to 7.6% of revenue from 16.7% of revenue during the same period last year and 15.3% of revenue for the year ended March 31, 2009. Excluding the revenue writedown, segment profit was $93.2 million (13.1% of revenue). The reduction in this adjusted segment margin, compared to the prior two years reflects increased volumes of lower-margin overburden removal activity in our project mix, a significant increase in the use of higher-cost rental equipment to support increased project development activity and impact of reduced pricing due to increased competitive pressure in the oil sands during the recession. In contrast, during fiscal 2010 and fiscal 2009, we experienced significantly reduced volumes of lower-margin overburden removal activity in our project mix as a result of a temporary work suspension at Canadian Natural’s site while they commissioned their production facility. This reduction in the lower-margin overburden removal activity and a strong contribution from higher margin contracts negotiated prior to the recession bolstered Heavy Construction and Mining segment margins in the prior two fiscal years.

**Piling**

| (dollars in thousands) | Year Ended March 31, 2011 | 2010 | 2009 | Changes 2011 vs 2010 | 2011 vs 2009 |
|---|---|---|---|---|---|
| Segment revenue | $105,559 | $68,531 | $155,076 | $37,028 | $(49,517) |
| Segment profit | $18,455 | $11,288 | $38,776 | $7,167 | $(20,321) |
| Segment margin | 17.5% | 16.5% | 25.0% | | |

For the year ended March 31, 2011, Piling revenue was $105.6 million, up $37.0 million compared to the year ended March 31, 2010, a decrease of $49.5 million compared to the year ended March 31, 2009. The improvement in the Piling segment revenue during the most recent period reflects the resurgence of activity in the commercial and industrial construction markets and an increase in project development activity on oil sands projects. Revenue for the current fiscal year includes a $7.3 million contribution from Cyntech, acquired in November 2010. Revenues in the year ended March 31, 2009 reflect the benefit of significant project development activity in the oil sands.

For the year ended March 31, 2011, the Piling segment margin represented 17.5% of revenue, compared to 16.5% of revenue and 25.0% of revenue for the years ended March 31, 2010 and 2009, respectively. The increase in segment margin as compared to the year ended March 31, 2010 reflects the benefit of improved conditions in the commercial and industrial construction markets, which offset the negative profit impact of adverse weather conditions that delayed project start-ups earlier in the current fiscal year. The Cyntech acquisition contributed $0.9 million to current fiscal year profit. Segment margins in the year ended March 31, 2009 benefitted from higher margins on project development activity in the oil sands.

**Pipeline**

| (dollars in thousands) | Year Ended March 31, 2011 | 2010 | 2009 | Changes 2011 vs 2010 | 2011 vs 2009 |
|---|---|---|---|---|---|
| Segment revenue | $85,452 | $24,920 | $101,407 | $60,532 | $(15,955) |
| Segment (loss) profit | $(3,034) | $(3,851) | $22,470 | $817 | $(25,504) |
| Segment margin | -3.6% | -15.5% | 22.2% | | |

For the year ended March 31, 2011, the Pipeline segment reported revenues of $85.5 million, a $60.5 million increase over a year ago. The increased segment revenues primarily reflect the execution of two large diameter pipeline projects in northern British Columbia, both of which were substantially completed in the year ended March 31, 2011. Complementing these substantial projects was revenue from pipeline construction =to support tailings management projects in the oil sands. Pipeline segment revenue decreased by $16.0 million compared to the year ended March 31, 2009, when the segment benefitted from the Kinder Morgan TMX Anchor Loop project in northern British Columbia.

The Pipeline segment recorded a current year loss of $3.0 million, reflecting highly competitive market conditions during the recession and reduced productivity on a single lump-sum project as a result of unanticipated weather and ground conditions. Segment loss for the year ended March 31, 2010 was $3.9 million, again reflecting highly competitive market conditions during the recession and production impacts related to unfavourable weather, changes in construction methodology due to unfavourable environmental conditions, as well as a higher percentage of rental versus owned equipment. We are currently working on a number of requests for change orders regarding weather and environmental impacts and significant changes to project scope in accordance with the terms of the two contracts substantially completed in the current year. Segment profit for the year ended March 31, 2009 was $22.5 million, which included the benefit of a $5.3 million settlement of claims revenue. Excluding this settlement, Pipeline segment margin would have been 16.9% of revenue.

**SUMMARY OF CONSOLIDATED THREE MONTH RESULTS**

| | Three Months Ended March 31, | | | | |
|---|---|---|---|---|---|
| (dollars in thousands, except per share amounts) | 2011 | % of Revenue | 2010 | % of Revenue | Change |
| **Revenue** | **$174,510** | **100.0%** | **$220,569** | **100.0%** | **$(46,059)** |
| Project costs | 98,383 | 56.4% | 92,401 | 41.9% | 5,982 |
| Equipment costs | 64,753 | 37.1% | 61,493 | 27.9% | 3,260 |
| Equipment operating lease expense | 16,080 | 9.2% | 22,009 | 10.0% | (5,929) |
| Depreciation | 12,682 | 7.3% | 11,943 | 5.4% | 739 |
| **Gross (loss) profit** | **(17,388)** | **-10.0%** | **32,723** | **14.8%** | **(50,111)** |
| General and administrative expenses | 14,435 | 8.3% | 19,104 | 8.7% | (4,669) |
| Operating (loss) income | (35,452) | -20.3% | 13,127 | 6.0% | (48,579) |
| **Net loss** | **(30,452)** | **-17.5%** | **(943)** | **-0.4%** | **(29,509)** |
| Per share information | | | | | – |
| Net loss—basic | $(0.84) | | $(0.03) | | $(0.81) |
| Net loss—diluted | (0.84) | | (0.03) | | (0.81) |
| EBITDA (1) | $(19,426) | -11.1% | $20,914 | 9.5% | $(40,340) |
| **Consolidated EBITDA (1) (as defined within the credit agreement)** | **$24,004** | **13.8%** | **$26,428** | **12.0%** | **$(2,424)** |

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

| | Three Months Ended March 31, | |
|---|---|---|
| (dollars in thousands) | 2011 | 2010 |
| Net loss | $(30,452) | $(943) |
| Adjustments: | | |
| Interest expense | 7,361 | 6,355 |
| Income taxes (benefit) | (10,305) | 3,278 |
| Depreciation | 12,682 | 11,943 |
| Amortization of intangible assets | 1,288 | 281 |
| **EBITDA** | **$(19,426)** | **$20,914** |
| Adjustments: | | |
| Unrealized foreign exchange gain on senior notes | – | (6,200) |
| Realized and unrealized (gain) loss on derivative financial instruments | (1,965) | 11,226 |
| Loss on disposal of property, plant and equipment and assets held for sale | 497 | 189 |
| Stock-based compensation expense | 529 | 277 |
| Equity in loss of unconsolidated joint venture | 1,844 | 22 |
| Revenue writedown on Canadian Natural project | 42,525 | – |
| **Consolidated EBITDA** | **$24,004** | **$26,428** |

**ANALYSIS OF THREE MONTH RESULTS**

**Revenue**

For the three months ended March 31, 2011, revenue was $174.5 million, $46.1 million lower than in the same period last year. As discussed in the “Explanatory Notes—Significant Business Event” section of this MD&A, this decrease was largely accounted for by the $42.5 million revenue writedown related to the long-term overburden removal contract with Canadian Natural. In addition, a slight drop in both recurring services and project development activity in the Heavy Construction and Mining segment and the completion of a project in our Pipeline segment offset higher revenues in our Piling segment. The decrease in recurring services activity reflects the slowdown in operations at Shell’s two oil sands mines during the period. This was partially offset by increased activity at Suncor and Syncrude operations. During the prior-year period, recurring services revenues in the Heavy Construction and Mining segment were negatively affected by a temporary slowdown of overburden removal activities during Canadian Natural’s production start-up period.

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**Gross (loss) profit**

Gross margin for the three months ended March 31, 2011 decreased to -10.0% of revenue compared to 14.8% during the same period last year. Gross profit margin would have been 11.6% excluding the revenue writedown related to the long term overburden removal project with Canadian Natural, the year-to-year decline reflects a loss on one lump-sum Pipeline project and lower margins in the Piling segment due to project losses and start-up delays. Margins recorded last year reflected the benefits of project close-out activities and higher margin site services work.

**Operating (loss) income**

For the three months ended March 31, 2011, we recorded an operating loss of $35.5 million or -20.3% of revenue, compared to operating income of $13.1 million, during the same period last year. This change is primarily a result of the impact of the revenue writedown as discussed above. General and administrative (G&A) expense for the three months ended March 31, 2011 decreased by $4.7 million, reflecting a reduction in the employee short-term incentive plan liability in the current period, which was offset by the year-over-year increase to stock-based compensation expense.

**Net loss**

For the three months ended March 31, 2011, we recorded a net loss of $30.5 million (basic loss per share of $0.84), compared to a net loss of $0.9 million (basic loss per share of $0.03) during the same period last year. Excluding the $31.8 million after tax impact of the revenue writedown on the long-term overburden removal contract, net income would have been $1.3 million (basic and diluted income per share of $0.04) for the three months ended March 31, 2011. Non-cash items affecting net income included non-cash gains on embedded derivatives in a long-term customer contract and certain long-term supplier contracts. Non-cash items affecting net income for the same period last year included the positive foreign exchange effect of the strengthening Canadian dollar on our 8 3/4% senior notes, a gain on the interest rate swap and a gain on the redemption option embedded derivative on the 8 3/4% senior notes. This positive effect was partly offset by the loss on the cross currency swap and losses on embedded derivatives in a long-term customer contract and certain long-term supplier contracts. Excluding these non-cash items and the revenue writedown in the current and prior-year periods, net loss would have been $0.2 million (basic loss per share of $0.01) down from net income of nil (basic and diluted income per share of nil).

**SEGMENT THREE MONTH RESULTS**

**Heavy Construction and Mining**

| | Three Months Ended March 31, | | |
|---|---|---|---|
| (dollars in thousands) | 2011 | 2010 | Change |
| Segment revenue | $146,475 | $196,002 | $(49,527) |
| Segment (loss) profit | $(14,071) | $29,286 | $(43,357) |
| Segment margin | -9.6% | 14.9% | |

For the three months ended March 31, 2011, the Heavy Construction and Mining segment reported revenues of $146.5 million, a $49.5 million decrease from the same period last year. As discussed in the “Explanatory Notes—Significant Business Event” section of this MD&A, the decline in revenue primarily reflects the $42.5 million revenue writedown related to the long-term overburden removal contract with Canadian Natural. Recurring services revenues also decreased by 24.7% compared to a year ago which reflects reduced customer activity at both Shell mines offset by higher recurring services revenues at Suncor and Syncrude. Higher volumes with Syncrude reflect increased activity levels under our recent four-year master services agreement and increased activity with Suncor reflects increased demand for our mine support services with this customer. Activity at Shell in the prior periods benefitted from significant mine support services at both mines in preparation of the Jackpine production start-up.

Recurring services revenue represented 88.6% of Heavy Construction and Mining’s revenue in the three month period ended March 31, 2011 compared to 87.9% in the same period last year.

For the three months ended March 31, 2011, we reported a negative segment margin compared to a segment margin of 14.9% during the same period last year. The reduction in segment margin reflects the revenue writedown on the long-term removal overburden contract. Segment profit margin would have been 15.0% excluding this writedown.

**Piling**

| | Three Months Ended March 31, | | |
|---|---|---|---|
| (dollars in thousands) | 2011 | 2010 | Change |
| Segment revenue | $22,256 | $18,263 | $3,993 |
| Segment profit | $1,955 | $2,149 | $(194) |
| Segment margin | 8.8% | 11.8% | |

The Piling segment achieved revenues of $22.3 million in the three months ended March 31, 2011, an increase of $4.0 million compared to the same period last year. The increase in Piling revenues reflects a $3.9 million revenue contribution from our November 2010 acquisition of Cyntech.

For the three months ended March 31, 2011 segment margins decreased to 8.8%, from 11.8% in the same period last year. Project start-up delays resulting from an abnormally long and cold winter in Alberta and Saskatchewan and a margin

reduction on a larger lump-sum contract were key contributors to this decline. Segment margins for the prior year period also benefitted from the processing of change orders related to large projects completed in the period. The Cyntech acquisition contributed $0.1 million to current period profit.

**Pipeline**

| (dollars in thousands) | Three Months Ended March 31, 2011 | 2010 | Change |
|---|---|---|---|
| Segment revenue | $5,779 | $6,304 | $(525) |
| Segment loss | $(1,549) | $(5,152) | $3,603 |
| Segment margin | -26.8% | -81.7% | |

Pipeline revenues for the three months ended March 31, 2011 were $5.8 million, a $0.5 million decrease from last year. Revenue in the current period was driven primarily by project close-out activity on two large diameter pipeline jobs completed earlier in the fiscal year.

The segment loss for the three months ended March 31, 2011 reflects an increase in the estimated cost to complete for the summer clean-up work for both projects which were substantially completed earlier in the current year.

**NON-OPERATING INCOME AND EXPENSE**

| (dollars in thousands) | Three Months Ended March 31, 2011 | 2010 | Change | Year Ended March 31, 2011 | 2010 | 2009 | 2011 vs 2010 Change | 2011 vs 2009 Change |
|---|---|---|---|---|---|---|---|---|
| Interest expense | | | | | | | | |
| Long term debt | | | | | | | | |
| Interest on 8 3/4% senior notes and swaps | $– | $4,573 | $(4,573) | $1,238 | $19,041 | $25,379 | $(17,803) | $(24,141) |
| Interest on Series 1 Debentures | 5,133 | – | 5,133 | 20,132 | – | – | 20,132 | 20,132 |
| Interest on credit facilities | 1,681 | 990 | 691 | 5,361 | 2,375 | 298 | 2,986 | 5,063 |
| Interest on capital lease obligations | 144 | 227 | (83) | 689 | 1,032 | 1,234 | (343) | (545) |
| Amortization of deferred financing costs | 366 | 859 | (493) | 1,609 | 3,348 | 2,970 | (1,739) | (1,361) |
| Interest on long term debt | $7,324 | $6,649 | $675 | $29,029 | $25,796 | $29,881 | $3,233 | $(852) |
| Other interest | 37 | (294) | 331 | 962 | 284 | (269) | 678 | 1,231 |
| Total Interest expense | $7,361 | $6,355 | $1,006 | $29,991 | $26,080 | $29,612 | $3,911 | $379 |
| Foreign exchange loss (gain) | 31 | (5,971) | 6,002 | (1,659) | (48,901) | 47,272 | 47,242 | (48,931) |
| Realized and unrealized (gain) loss on derivative financial instruments | (1,965) | 11,226 | (13,191) | (2,305) | 54,411 | (37,250) | (56,716) | 34,945 |
| Loss on debt extinguishment | – | – | – | 4,346 | – | – | 4,346 | 4,346 |
| Other income | (122) | (818) | 696 | (104) | (14) | (5,955) | (90) | 5,851 |
| Income taxes (benefit) | (10,305) | 3,278 | (13,583) | (6,448) | 13,679 | 14,633 | (20,127) | (21,081) |

**Interest expense**

Total interest expense increased $1.0 million in the three months ended March 31, 2011 and $3.9 million in the year ended March 31, 2011, compared to the corresponding periods in the prior year. In April 2010, we closed a private placement of 9.125% Series 1 Debentures (Series 1 Debentures) due April 7, 2017 for gross proceeds of $225.0 million. On April 28, 2010, we redeemed and cancelled all outstanding 8 3/4% senior notes. The redemption amount included the US$200.0 million principal outstanding and US$7.1 million of accrued interest. On April 8, 2010, we also terminated the cross currency and interest rate swaps used to hedge interest rate and currency exposure on the US dollar denominated 8 3/4% senior notes. The interest expense of $1.2 million on our 8 3/4% senior notes during the current year reflects interest costs to the redemption date. The interest expense of $20.1 million on our Series 1 Debentures for the year ended March 31, 2011 reflects interest for the partial period that followed the issuance of the Series 1 Debentures on April 7, 2010. The senior notes redemption and associated swap agreement terminations eliminated the cost of hedging the foreign currency interest rate, which was reflected as a portion of “realized and unrealized (gain) loss on derivative financial instruments”. Prior-year interest hedge costs were $4.2 million and $15.6 million, respectively, for the three months and year ended March 31, 2010. The refinancing of the senior notes in April 2010 resulted in an overall decrease in financing costs, including interest and swap costs, of $3.2 million compared to the previous three months ended March 31, 2010 and a reduction of $11.3 million compared to the year ended March 31, 2010. The cancellation of one leg of the swap agreement on February 2, 2009, one of the three swap agreements hedging the interest and currency risk associated with our US dollar denominated 8 3/4% senior notes, led to

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increased interest expense for that fiscal year, as shown in the “Realized and unrealized loss (gain) on derivative financial instruments” section, below. A more detailed discussion on the restructuring of our long-term debt can be found under “Liquidity and Capital Resources”.

On April 30, 2010, we entered into a fourth amended and restated credit agreement to extend the term of the credit agreement and to add borrowing capacity of up to $50.0 million through a second term facility within the credit agreement. At March 31, 2011, the second term facility was fully drawn. The new term facility, along with the existing term facility, matures on April 30, 2013. At March 31, 2011, we had $72.0 million outstanding under the Term Facilities and Revolving Facility, which together have a capacity of $163.4 million ($28.4 million outstanding at March 31, 2010). Interest expense for the credit facilities was $1.7 million and $5.4 million for the three months and year ended March 31, 2011, respectively, reflecting the cost of the higher amounts borrowed on the credit facilities to fund working capital growth.

**Foreign exchange loss (gain)**

The foreign exchange gains recognized in the three months and year ended March 31, 2010, relate primarily to the effect of changes in the exchange rate of the Canadian dollar against the US dollar on the carrying value of the US$200 million 8 3/4% senior notes. The increase in the value of the Canadian dollar, from 0.9846 CAN/US at March 31, 2010 to 0.9874 CAN/US at April 28, 2010 when the 8 3/4% senior notes were redeemed, resulted in a realized foreign exchange gain for the current year. The Canadian dollar weakened during the year ended March 31, 2009, resulting in unrealized foreign exchange losses for the period. A more detailed discussion about our foreign currency risk can be found under “Quantitative and Qualitative Disclosures about Market Risk – Foreign exchange risk”.

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

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

| | Three Months Ended March 31, | | | Year Ended March 31, | | | | |
|---|---|---|---|---|---|---|---|---|
| (dollars in thousands) | 2011 | 2010 | Change | 2011 | 2010 | 2009 | 2011 vs 2010 Change | 2011 vs 2009 Change |
| Swap liability loss (gain) | $ – | $6,344 | $(6,344) | $1,783 | $49,078 | $(49,613) | $(47,295) | $51,396 |
| Redemption option embedded derivative (gain) loss | – | (118) | 118 | – | (3,716) | 3,331 | 3,716 | (3,331) |
| Supplier contracts embedded derivatives (gain) loss | (1,686) | 643 | (2,329) | (3,812) | (13,315) | 21,509 | 9,503 | (25,321) |
| Customer contract embedded derivative (gain) loss | (279) | 190 | (469) | (604) | 6,805 | (15,145) | (7,409) | 14,541 |
| Swap interest payment | – | 4,167 | (4,167) | 328 | 15,559 | 2,668 | (15,231) | (2,340) |
| Total | $(1,965) | $11,226 | $(13,191) | $(2,305) | $54,411 | $(37,250) | $(56,716) | $34,945 |

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

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

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

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

With respect to the long-term customer contract, there is a provision that requires an adjustment to customer billings to reflect actual exchange rates and price indices. The embedded derivative instrument takes into account the impact on revenues, but does not consider the impact on costs as a result of fluctuations in these measures.

The measurement of swap interest payment for the year ended March 31, 2011 reflects the realized loss on our previously held interest rate swaps. As of February 2, 2009, one of three swap agreements hedging the interest and currency risk associated with our previously held US dollar denominated 8 3/4% senior notes was cancelled by the counterparties which resulted in us incurring higher interest expense until we terminated the cross currency and interest rate swaps on April 8, 2010.

**Income taxes (benefit)**

For the three months ended March 31, 2011, we recorded a current income tax benefit of $1.5 million and a deferred income tax benefit of $8.8 million for a total income tax benefit of $10.3 million. This is as compared to combined income tax expense of $3.3 million for the same period last year. For the three months ended March 31, 2011, income tax expense as a percentage of income before taxes differs from the statutory rate of 27.75% primarily due to the changes in the timing of the reversal of temporary differences. Some of the temporary differences are reversing at rates different from the opening deferred tax rates that had been set up. For the three months ended March 31, 2010, income tax expense as a percentage of income before income taxes differs from the statutory rate of 28.91% primarily due to the impact of income tax adjustments and reassessments, non-deductible items and changes in the timing of the reversal of temporary differences.

For the year ended March 31, 2011, we recorded current income taxes of $2.9 million and deferred income taxes benefit of $9.3 million for a total income tax benefit of $6.4 million. This compares to combined income tax expense of $13.7 million for the same period last year. For the year ended March 31, 2011, income tax expense as a percentage of income before income taxes differs from the statutory rate of 27.75%, primarily due to the impact of changes in enacted tax rates, CRA audit adjustments from 2007 and 2008, which are flowing through the current and deferred income tax accounts and an increase in the permanent differences in stock-based compensation as a result of a partial restructuring of the stock option plan. For the year ended March 31, 2010, income tax expense as a percentage of income before income taxes differs from the statutory rate of 28.91% primarily due to the impact of income tax adjustments and reassessments, non-deductible items and changes in the timing of the reversal of temporary differences. For the year ended March 31, 2009, income tax expense as a percentage of income before income taxes differed from the statutory rate of 29.38% primarily due to non-deductible items, as well as a permanent difference relating to the $176.2 million non-deductible goodwill impairment.

**BACKLOG**

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

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

Our measure of backlog does not define what we expect our future workload to be. We work with our customers using cost-plus, time-and-materials, unit-price and lump-sum contracts. This mix of contract types varies year-by-year. Our definition of backlog results in the exclusion of a range of services to be provided under cost-plus and time-and-material contracts performed under master services agreements where scope is not clearly defined. For the three months and year ended March 31, 2011, the total amount of revenue earned from time-and-material contracts performed under our master services agreements, which are not in backlog, was approximately $66.8 million and $265.3 million respectively.

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Our estimated backlog by segment and contract type as at March 31, 2011, December 31, 2010 and March 31, 2010 was:

| (dollars in thousands) | March 31, 2011 | December 31, 2010 | March 31, 2010 |
|---|---|---|---|
| **By Segment** | | | |
| Heavy Construction & Mining | $568,717 | $694,867 | $800,751 |
| Piling | 12,558 | 12,435 | 16,423 |
| Pipeline | 1,427 | 5,294 | 6,861 |
| **Total** | **$582,702** | **$712,596** | **$824,035** |
| **By Contract Type** | | | |
| Unit-Price | $567,062 | $693,102 | $797,694 |
| Lump-Sum | 11,861 | 16,921 | 18,429 |
| Time-and-Material, Cost-Plus | 3,779 | 2,573 | 7,912 |
| **Total** | **$582,702** | **$712,596** | **$824,035** |

The long-term overburden removal contract with Canadian Natural represented approximately $539.4 million of the March 31, 2011 backlog compared to $655.3 million in our interim MD&A for the three and nine months ended December 31, 2010 and $781.7 million reported as backlog in our annual MD&A for the year ended March 31, 2010.

We expect that approximately $133.4 million of total backlog will be performed and realized in the 12 months ending March 31, 2012, which includes a backlog reduction of $62.0 million as a result of the suspension of overburden removal activities at Canadian Natural's Horizon Oil Sands mine, as discussed in the "Explanatory Notes—Significant Business Event" section of this MD&A.¿

**CLAIMS AND CHANGE ORDERS**

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

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

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

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

For the three months and year ended March 31, 2011, due to the timing of receipt of signed change orders, the Heavy Construction and Mining segment had approximately $0.2 million and $1.3 million respectively in claims revenue recognized to the extent of costs incurred, the Piling segment had $0.4 million and $2.7 million respectively in claims revenue recognized to the extent of costs incurred and the Pipeline segment had $1.2 million and $1.3 million respectively in claims revenue recognized to the extent of costs incurred. We are working with our customers to come to resolution on additional amounts, if any to be paid to us with respect to these additional costs.

For the three months and year ended March 31, 2011, the Heavy Construction and Mining segment applied the accounting treatment guidance described in the "Explanatory Notes—Significant Business Event" section of this MD&A to record a $42.5 million revenue writedown to reduce the total contract revenue to the extent of total costs incurred on the long-term overburden removal contract with Canadian Natural. The scope of the work to be done under the contract has been agreed upon but we have not yet agreed upon the exact adjustments to the price escalation indices. We have formed a joint working group with Canadian Natural to identify new escalation indices for this contract which is expected to provide its recommendations by August 31, 2011. We have determined that it is probable that the costs will be recovered through an increase in the contract price for the escalation indices.

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

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**SUMMARY OF CONSOLIDATED QUARTERLY RESULTS**

| (dollars in millions, except per share amounts) | Three Month Period Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | March 31, 2011 | Dec 31, 2010 | Sep 30, 2010 | Jun 30, 2010 | Mar 31, 2010 | Dec 31, 2009 | Sep 30, 2009 | Jun 30, 2009 |
| | | | | Fiscal 2011 | | | | Fiscal 2010 |
| **Revenue** | **$174.5** | **$265.1** | **$234.9** | **$183.6** | **$220.6** | **$221.2** | **$170.7** | **$146.5** |
| Gross (loss) profit | (17.4) | 30.8 | 29.1 | 15.6 | 32.7 | 47.6 | 33.8 | 25.1 |
| Operating (loss) income | (35.5) | 11.3 | 12.3 | 1.1 | 13.1 | 31.3 | 18.9 | 10.1 |
| **Net (loss) income** | **(30.5)** | **3.7** | **2.4** | **(10.3)** | **(0.9)** | **14.9** | **4.3** | **9.9** |
| Net (loss) income per share—basic | $(0.84) | $0.10 | $0.07 | $(0.29) | $(0.03) | $0.41 | $0.12 | $0.28 |
| Net (loss) income per share—diluted | (0.84) | $0.10 | $0.06 | $(0.29) | $(0.03) | $0.41 | $0.12 | $0.27 |

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

A number of factors have the potential to contribute to variations in our quarterly financial results between periods, including the capital project-based nature of our project development revenue, seasonal weather and ground conditions, capital spending decisions by our customers on large oil sands projects, the timing of equipment maintenance and repairs, claims and change-orders and the accounting for unrealized non-cash gains and losses related to foreign exchange and derivative financial instruments.

We generally experience a decline in revenues during the first three months of each fiscal year due to seasonality, as weather conditions make performance in our operating regions difficult during this period. The level of activity in the Heavy Construction and Mining and Pipeline segments declines when frost leaves the ground and many secondary roads are rendered temporarily incapable of supporting the weight of heavy equipment. The duration of this period, which can vary considerably from year to year, is referred to as “spring breakup” and it has a direct impact on our activity levels. Revenues during the three months ended March 31 of each fiscal year are typically highest as ground conditions are most favourable in our operating regions. As a result, full-year results are not likely to be a direct multiple or combination of a quarter or quarters. In addition to revenue variability, gross margins can be negatively impacted in less active periods because we are likely to incur higher maintenance and repair costs due to our equipment being available for servicing.

The timing of large projects can influence quarterly revenues. For example, in the past two fiscal years, Pipeline segment revenues were as low as $0.1 million in the three months ended June 30, 2009 and as high as $42.2 million for the three months ended December 31, 2010. The Heavy Construction and Mining segment experienced reduced volumes in the three months ended March 31, 2009 as a result of the temporary shut-down of overburden removal at the Horizon project while Canadian Natural prepared for operations start-up. Subsequent periods reflect the ramp up of overburden removal activities at the Horizon project through the three months ended December, 2010, where activity returned to planned activity levels. The revenue writedown on the overburden removal contract with this customer negatively affected results for the three months ended March 31, 2011. Changes in demand under our master services agreements with Shell positively affected fiscal 2010 results due to increased demand for mine services during the commissioning of Shell’s Jackpine mine. Activity subsequently declined in fiscal 2011 as Shell commissioned the Jackpine mine and concurrently undertook related integration activities at the Muskeg River mine.

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

Profitability also varies from quarter-to-quarter as a result of claims and change-orders. Claims and change-orders are a normal aspect of the contracting business but can cause variability in profit margin due to the unmatched recognition of costs and revenues. For further explanation, see “Claims and Change Orders”.

We have also experienced net income variability in all periods up to the three months ended June 30, 2010 due to the recognition of unrealized non-cash gains and losses on both derivative financial instruments and our previously held US dollar denominated 8 3/4% senior notes, primarily driven by changes in the Canadian/US dollar exchange rate. The 8 3/4% senior notes were redeemed on April 28, 2010 and the associated currency and interest rate swaps were terminated on April 8, 2010.

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**SUMMARY OF CONSOLIDATED FINANCIAL POSITION**

| | Year Ended March 31, | | | | |
|---|---|---|---|---|---|
| (dollars in thousands) | 2011 | 2010 | 2009 | 2011 vs 2010 Change | 2011 vs 2009 Change |
| Cash | $722 | $103,005 | $98,880 | $(102,283) | $(98,158) |
| Current assets (excluding cash) | 250,642 | 209,995 | 157,858 | 40,647 | 92,784 |
| Current liabilities | (165,819) | (165,641) | (127,957) | (178) | (37,862) |
| Net working capital | $85,545 | $147,359 | $128,781 | $(61,814) | $(43,236) |
| Property, plant and equipment | 321,864 | 331,355 | 316,115 | (9,491) | 5,749 |
| Total assets | 682,957 | 706,920 | 629,275 | (23,963) | 53,682 |
| Capital Lease obligations (including current portion) | (8,693) | (13,393) | (17,484) | 4,700 | 8,791 |
| Total long term financial liabilities | (324,382) | (327,356) | (318,559) | 2,974 | (5,823) |

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

At March 31, 2011, net working capital (current assets less current liabilities) was $85.5 million, down $61.8 million from March 31, 2010 and down $43.2 million from March 31, 2009.

The cash balance at March 31, 2011 was $102.3 million lower than at March 31, 2010, reflecting the Cyntech acquisition ($23.5 million), redemption of the 8 3/4% senior notes and associated cross-currency and interest rate swaps ($26.5 million), scheduled principal repayments on our Term Facilities ($10.0 million), the purchase of equipment and intangible assets ($41.2 million) and an increase in non-cash working capital. During the three months ended March 31, 2011, we had borrowings of $3.5 million against our Revolving Facility.

Current assets excluding cash, increased $40.6 million between March 31, 2010 and March 31, 2011, reflecting an $18.2 million increase in unbilled revenue, a $16.6 million increase in trade receivables and holdbacks and a $4.7 million increase in inventory, related to an increase in tire inventory and the addition of Cyntech raw materials during the year ended March 31, 2011. Contributing to the increase in unbilled revenue is our Heavy Construction and Mining segment's long-term overburden removal contract with Canadian Natural along with delays in closeout billing on our current year Pipeline contracts, as the execution of final payment certificates on two projects require the completion of spring clean-up activities while the execution of the final payment certificate on a third Pipeline project is dependent on completion of a final contractual milestone. Current assets excluding cash, increased $92.8 million between March 31, 2009 and March 31, 2011, reflecting a $50.2 million increase in trade receivables and holdbacks, a $47.0 million increase in unbilled revenue and $3.5 million in prepaid expenses and deposits partially offset by a $4.1 million decrease in inventory and a $5.3 million decrease in deferred tax assets.

Current liabilities increased by $0.2 million between March 31, 2010 and March 31, 2011, reflecting a $19.2 million increase in accounts payable which was offset by a $19.6 million decrease in the current portion of embedded derivatives in financial instruments compared to the year ended March 31, 2010, as a result of the redemption of cross-currency and interest rate swaps related to our 8 3/4% senior notes. Equipment purchases of $2.4 million, which are scheduled to be paid after March 31, 2011, are included in accounts payable as of March 31, 2011. current liabilities increased by $37.9 million between March 31, 2009 and March 31, 2011, reflecting a $29.8 million increase in accounts payable, a $10.0 million increase in current portion of long term debt and a $19.9 million increase in deferred tax liabilities partially offset by a $12.2 million decrease in accrued liabilities and a $9.0 million decrease in current portion of embedded derivatives in financial instruments.

Property, plant and equipment net book value for the year ended March 31, 2011 decreased $9.5 million and increased $5.7 million compared to the year ended March 31, 2010 and March 31, 2009 respectively. This reflects the capital investment of $32.6 million of equipment purchases and new capital leases during the current year compared to $56.7 million during the year ended March 31, 2010 and $93.3 million during the year ended March 31, 2009.

Total long-term financial liabilities were substantially unchanged between the years ended March 31, 2011, 2010 and 2009, however, the make-up of our long-term financial liabilities were significantly changed due largely to our debt refinancing, described in more detail in "Liquidity and Capital Resources — Long-term debt restructuring".

**SUMMARY OF CONSOLIDATED CAPITAL EXPENDITURES**

We acquire our equipment in three ways: capital expenditures, capital leases and operating leases. Capital expenditures require the outflow of cash for the full value of the equipment at the time of purchase. Capital leases, while not considered capital expenditures, are restricted under the terms of our credit agreement to a maximum of $30.0 million. Operating leases are not considered capital expenditures and are not restricted under the terms of our credit agreement.

We define our equipment requirements as either:

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

A summary of equipment additions by nature and by period is shown in the table below:

| (dollars in thousands) | Three Months Ended March 31, 2011 | 2010 | Change | Year Ended March 31, 2011 | 2010 | 2009 | 2011 vs 2010 Change | 2011 vs 2009 Change |
|---|---|---|---|---|---|---|---|---|
| **Capital Expenditures** | | | | | | | | |
| Sustaining | $2,611 | $4,823 | $(2,212) | $16,380 | $13,644 | $13,467 | $2,736 | $2,913 |
| Growth | 2,892 | 2,489 | 403 | 20,577 | 44,861 | 74,072 | (24,284) | (53,495) |
| Total | 5,503 | 7,312 | (1,809) | 36,957 | 58,505 | 87,539 | (21,548) | (50,582) |
| **Capital Leases** | | | | | | | | |
| Sustaining | – | 418 | (418) | – | 867 | 3,056 | (867) | (3,056) |
| Growth | 336 | – | 336 | 427 | 656 | 5,807 | (229) | (5,380) |
| Total | 336 | 418 | (82) | 427 | 1,523 | 8,863 | (1,096) | (8,436) |
| **Total sustaining capital additions** | 2,611 | 5,241 | (2,630) | 16,380 | 14,511 | 16,523 | 1,869 | (143) |
| **Total growth capital additions** | 3,228 | 2,489 | 739 | 21,004 | 45,517 | 79,879 | (24,513) | (58,875) |
| **Operating Leases** | 32,160 | 28,530 | 3,630 | 46,284 | 93,090 | 125,133 | (46,806) | (78,849) |

The changes in sustaining capital additions for both the three months and the year ended March 31, 2011 compared to the same periods in the prior years is reflective of the timing of scheduled capital maintenance activities.

The reduction in growth capital additions for the year ended March 31, 2011, compared to the years ended March 31, 2010 and 2009, respectively, reflects the impact of fewer major customer development projects as a result of the economic slowdown experienced at the end of fiscal 2009 and through fiscal 2010. In the latter half of the current year we have experienced an increased customer demand for equipment to support project development activity. In the short-term, we have managed this increased demand for this type of equipment through improved utilization from our owned fleet complemented with an increase in rental equipment. Included in the growth capital additions for the three months ended March 31, 2011, is $1.3 million related to the Cyntech acquisition.

The decrease in operating leases for the year ended March 31, 2011, compared to the same periods in the previous years, reflects the timing of scheduled equipment additions related to the Canadian Natural overburden removal project along with the impact of fewer development projects as a result of the economic slowdown experienced at the end of fiscal 2009 and through fiscal 2010. The increase in operating leases for the three months ended March 31, 2011, compared to the same period in the prior year, reflects the difference in timing of scheduled equipment additions between the two periods.

**SUMMARY OF CONSOLIDATED CASH FLOWS**

| (dollars in thousands) | Three Months Ended March 31, 2011 | 2010 | Change |
|---|---|---|---|
| Cash provided by operating activities | $13,531 | $16,299 | $(2,768) |
| Cash used in investing activities | (13,736) | (5,312) | (8,424) |
| Cash provided by (used in) financing activities | 211 | (2,859) | 3,070 |
| Foreign currency translation loss on cash | (32) | – | (32) |
| **Net decrease (increase) in cash and cash equivalents** | **$(26)** | **$8,128** | **$(8,154)** |

| (dollars in thousands) | Year Ended March 31, 2011 | 2010 | 2009 | Change 2011 vs 2010 | 2011 vs 2009 |
|---|---|---|---|---|---|
| Cash (used in) provided by operating activities | $(497) | $42,625 | $151,185 | $(43,122) | $(151,682) |
| Cash used in investing activities | (64,632) | (59,611) | (78,715) | (5,021) | 14,083 |
| Cash (used in) provided by financing activities | (37,095) | 21,111 | (5,453) | (58,206) | (31,642) |
| Foreign currency translation loss on cash | (59) | – | – | (59) | (59) |
| **Net (decrease) increase in cash and cash equivalents** | **$(102,283)** | **$4,125** | **$67,017** | **$(106,408)** | **$(169,300)** |

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**Operating activities**

Cash provided by operating activities for the three months ended March 31, 2011 was $13.5 million, compared to $16.3 million for the three months ended March 31, 2010. The lower cash flow in the current period is primarily a result of lower gross profit offset by decreased non-cash net working capital.

Cash used in operating activities during the year ended March 31, 2011 was $0.5 million, compared to cash provided by operations of $42.6 million and $151.2 million for the years ended March 31, 2010 and 2009 respectively. This is primarily a result of lower gross profit and increased non-cash working capital. The cash inflow for the year ended March 31, 2009 benefitted from significant project closeout activities.

**Investing activities**

Cash used in investing activities for the three months ended March 31, 2011 was $13.7 million, compared with $5.3 million for the same period a year ago. Investing activities this current period included $2.7 million for the acquisition of Cyntech Corporation and capital and intangible asset expenditures of $11.2 million. Cash used in investing activities for the three months ended March 31, 2010 included capital and intangible asset expenditures of $5.8 million, less proceeds from asset dispositions of $0.5 million.

Cash used in investing activities for the year ended March 31, 2011 was $64.6 million compared with $59.6 million and $78.7 million for the years ended March 31, 2010 and 2009, respectively. Current period investing activities included capital and intangible expenditures of $41.2 million along with $23.5 million for the acquisition of Cyntech Corporation, less cash proceeds from asset dispositions of $1.3 million. Cash used in investing activities during the prior year included capital and intangible expenditures of $55.3 million along with $5.4 million for the acquisition of DF Investments Limited, less cash proceeds from asset dispositions of $3.9 million.

**Financing activities**

Cash provided by financing activities during the three month period ended March 31, 2011 was $0.2 million as a result of an increase in the Revolving Facility of $3.5 million, a scheduled $2.5 million repayment on our term credit facilities and a $1.1 million repayment of capital lease obligations. Cash used in financing activities for the three month period ended March 31, 2010 was $2.9 million due to a repayment of $1.5 million to our term credit facilities and a $1.4 million repayment of capital lease obligations.

Cash provided by financing activities during the year ended March 31, 2011 was $37.1 million. This was primarily a result of the debt refinancing and swap cancellation activities, which included $7.9 million of financing costs for the credit agreement and the Series 1 Debentures. Additional activities included scheduled repayments on our Term Facilities and repayment of capital lease obligations. Cash provided by financing activities during the year ended March 31, 2010 totaled $21.1 million. Capital expenditure financing of $27.8 million (net of term credit facilities repayments), was partially offset by the $5.6 million repayment of capital lease obligations, $1.1 million in financing costs for the amendment of the credit agreement and the repayment of debt assumed with the acquisition of DF Investments Limited. Cash used in financing activities for the year ended March 31, 2009 of $5.5 million was a result of the $6.2 million repayment of capital lease obligations partially offset by the proceeds from stock options exercised.

**Foreign currency translation loss on cash**

During the year ended March 31, 2011, we established a US-based subsidiary, “Cyntech U.S. Inc.”, which has a US dollar functional currency. The accounts of this subsidiary 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 unrealized foreign currency translation 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. This effect was not material for the three months and year ended March 31, 2011.

## D. OUTLOOK

While we may experience some near term reduction to revenue as a result of the recently announced work suspension on our long-term overburden removal contract with Canadian Natural, the anticipated redeployment of resources to higher-margin projects could help to offset some of this revenue reduction, while also having a positive impact on margins and cash flow. We also anticipate some negative impact to first quarter results due to the recent wild fires near Fort McMurray, which have impacted our ability to work at several customer sites during the past two weeks. However, our outlook continues to improve as a result of strengthening general economic conditions, recently awarded and anticipated long-term contracts with Shell, Syncrude and Suncor and increasing investment in the oil sands.¿

Suncor and Total have formed a strategic alliance to develop the Fort Hills mine, Voyageur upgrader and Joslyn mine. Exxon continues with construction of its Kearl project and Syncrude is planning a number of major mining projects, including the relocation of four mine trains. The resurgence of project development activity is resulting in growing demand for the industrial construction, site preparation and piling services we provide.

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

Oil sands operators are also increasing spending on tailings and reclamation projects in response to new environmental regulations. This, in turn, is creating opportunities for our new Tailings and Environmental Construction division to support the construction and operation of the new reclamation processes.

At the same time, demand for recurring services is growing with three of the four existing oil sands mines expected to be fully operating this year and Canadian Natural's Horizon mine and Exxon's Kearl mine scheduled to begin production in early 2012. Indicative of the growing demand, our Heavy Construction and Mining segment has recently been awarded two major multi-year recurring services contracts, including:

- A four-year master services agreement with Syncrude, which replaces the master services agreement with this customer that expired in November 2010; and
- A three-year master services agreement with Shell, which includes the removal of a minimum of 2.5 million metres of muskeg at the Jackpine mine in the first year of the contract. Shell is currently reviewing its requirements and the work scope could be increased. This new contract is in addition to our existing three-year master services contract with this customer.¿

In addition to these recurring services contracts, we anticipate the awarding of a new five-year master services agreement with Suncor to supply reclamation, mine services and light and heavy civil construction services to the Millennium and Steepbank mines.¿

While the sharp increase in demand for oil sands services is providing relief from the competitive margin pressure experienced over the past two years, it is important to note that we continue to work on several older contracts negotiated at lower margins. Accordingly, we expect that revenue growth will continue to outpace margin growth in the near term but margin growth should improve as older contracts expire and are replaced with new, higher-margin business.¿

In the Piling segment, activity levels are expected to increase in fiscal 2012 as a result of the growing project development activity in the oil sands and an upsurge in commercial construction opportunities in markets like Toronto and Calgary. Given the shorter-term, project-specific nature of piling contracts, margins are expected to recover more quickly for this division than for other parts of our business. We are anticipating a strong year for this segment in fiscal 2012.¿

In the Pipeline division, business conditions are expected to improve following the recent announcement of various new pipeline projects in Western Canada. These new projects are designed to address expected increases in oil and gas production in the region. Toward the end of fiscal 2011, we began to see a sharp increase in bidding activity, which has continued in early fiscal 2012. Accordingly, we anticipate increasing near-term demand for small and large pipeline projects and expansions, which should in turn support improved pricing and reduced risk on new contracts. ¿

Overall, our long-term outlook for the business remains positive. We are also continuing to pursue acquisitions that strategically broaden our services, with a focus on smaller-scale opportunities that fit well with our current service offering and that can be integrated quickly.

## E. LEGAL AND LABOUR MATTERS

### LAWS AND REGULATIONS AND ENVIRONMENTAL MATTERS

Many aspects of our operations are subject to various federal, provincial and local laws and regulations, including, among others:

- permit and licensing requirements applicable to contractors in their respective trades;
- building and similar codes and zoning ordinances;
- laws and regulations relating to consumer protection; and
- laws and regulations relating to worker safety and protection of human health.

We believe that we have all material required permits and licenses to conduct our operations and are in substantial compliance with applicable regulatory requirements relating to our operations. Our failure to comply with the applicable regulations could result in substantial fines or revocation of our operating permits.

Our operations are subject to numerous federal, provincial and municipal environmental laws and regulations, including those governing the release of substances, the remediation of contaminated soil and groundwater, vehicle emissions and air and water emissions. These laws and regulations are administered by federal, provincial and municipal authorities, such as Alberta Environment, Saskatchewan Environment, the British Columbia Ministry of Environment, Ontario Ministry of the Environment and other governmental agencies. The requirements of these laws and regulations are becoming increasingly complex and stringent and meeting these requirements can be expensive.

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The nature of our operations and our ownership or operation of property exposes us to the risk of claims with respect to environmental matters and there can be no assurance that material costs or liabilities will not be incurred in relation to such claims. For example, some laws can impose strict joint and several liability on past and present owners or operators of facilities at, from or to which a release of hazardous substances has occurred, on parties who generated hazardous substances that were released at such facilities and on parties who arranged for the transportation of hazardous substances to such facilities. If we were found to be a responsible party under these statutes, we could be held liable for all investigative and remedial costs associated with addressing such contamination, even though the releases were caused by a prior owner or operator or third party. We are not currently named as a responsible party for any environmental liabilities on any of the properties on which we currently perform or have performed services. However, our leases typically include covenants which obligate us to comply with all applicable environmental regulations and to remediate any environmental damage caused by us to the leased premises. In addition, claims alleging personal injury or property damage may be brought against us if we cause the release of or any exposure to, harmful substances.

Our construction contracts require us to comply with all environmental and safety standards set by our customers. These requirements cover such areas as safety training for new hires, equipment use on site, visitor access on site and procedures for dealing with hazardous substances.

Capital expenditures relating to environmental matters during the fiscal years ended March 31, 2009, 2010 and 2011 were not material. We do not currently anticipate any material adverse effect on our business or financial position as a result of future compliance with applicable environmental laws and regulations. Future events, however, such as changes in existing laws and regulations or their interpretation, more vigorous enforcement policies of regulatory agencies or stricter or different interpretations of existing laws and regulations may require us to make additional expenditures which may or may not be material.

#### EMPLOYEES AND LABOUR RELATIONS

As of March 31, 2011, we had 533 salaried employees and approximately 2,279 hourly employees. The growth in our salaried employee work force can be primarily attributed to our conversion of hourly site supervision staff to salaried employees during the fiscal year. Our hourly workforce fluctuates according to the seasonality of our business and the staging and timing of projects by our customers. The hourly workforce typically ranges in size from 1,000 employees to approximately 3,000 employees depending on the time of year and duration of awarded projects. We also utilize the services of subcontractors in our construction business. An estimated 8% to 10% of the construction work we do is performed by subcontractors. Approximately 2,000 employees are members of various unions and work under collective bargaining agreements. The majority of our work is done through employees governed by our mining overburden collective bargaining agreement with the International Union of Operating Engineers Local 955, the primary term of which expires on March 31, 2015. Other collective agreements in operation include the provincial Industrial, Commercial and Institutional (ICI) agreements in Alberta and Ontario with both the Operating Engineers and Labourers Unions, Piling sector collective agreements in Saskatchewan with the Operating Engineers, Pipeline sector agreements in both British Columbia and Alberta with the Christian Labour Association of Canada (CLAC) as well as an all-sector agreement with CLAC in Ontario. We are subject to other industry and specialty collective agreements under which we complete work and the primary terms of all of these agreements are currently in effect. The provincial collective agreement between the International Union of Operating Engineers (IUOE) Local 955 and the Alberta Roadbuilders and Heavy Construction Association (ARBHCA) expired February 28, 2011 and the Association is currently amidst negotiations with the Operating Engineers for the renewal of this Agreement. NACG has a representative on the ARBHCA bargaining committee. Management expects that a settlement will be reached without disruption. We believe that our relationships with all our employees, both union and non-union, are strong. We have not experienced a strike or lockout. ¿

### F. RESOURCES AND SYSTEMS

#### OUTSTANDING SHARE DATA

We are authorized to issue an unlimited number of voting Common Shares and an unlimited number of Non-Voting Common Shares. As at March 31, 2011, there were 36,242,526 voting Common Shares outstanding (36,049,276 as at March 31, 2010). We had no Non-Voting Common Shares outstanding on any of the foregoing dates.

#### LIQUIDITY AND CAPITAL RESOURCES

**Liquidity requirements**

Our primary uses of cash are for plant and equipment purchases, to fulfill debt repayment and interest payment obligations, to fund operating and capital lease obligations and to finance working capital requirements.

We maintain a significant equipment and vehicle fleet comprised of units with remaining useful lives covering a variety of time spans. It is important to adequately maintain our large revenue-producing fleet in order to avoid equipment downtime, which can impact our revenue stream and inhibit our ability to satisfactorily perform on our projects. Once units reach the end of

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their useful lives, they are replaced as it becomes cost prohibitive to continue to maintain them. As a result, we are continually acquiring new equipment both to replace retired units and to support our growth as we take on new projects. In order to maintain a balance of owned and leased equipment, we have financed a portion of our heavy construction fleet through operating leases. In addition, we continue to lease our motor vehicle fleet through our capital lease facilities.

Our equipment fleet value is currently split among owned (44%), leased (49%) and rented equipment (7%). Approximately 33% of our leased fleet value is specific to the long-term overburden removal contract with Canadian Natural. This equipment mix is a change from the mix reported in previous periods as a result of an increasing demand for specific types of rental equipment to support project development activity along with the conversion of some rental equipment to operating leases to meet specific volume demands. Our equipment ownership strategy allows us to meet our customers' variable service requirements while balancing the need to maximize equipment utilization with the need to achieve the lowest ownership costs.¿

We require between $30 million and $60 million annually for sustaining capital expenditures and our total capital requirements typically range from $75 million to $150 million depending on our growth capital requirements. With the renewed commitment to Canadian oil sands development by the oil sands producers, we are continuing to assess our growth capital needs for the coming fiscal year. Our preliminary estimate of our capital needs for the next fiscal year is approximately $90 million to $140 million.¿

We typically finance approximately 30% to 50% of our total capital requirements through our operating and capital lease facilities and the remainder from cash flow from operations. We believe our operating and capital lease facilities and cash flow from operations will be sufficient to meet these requirements.

We continue to receive interest from finance companies to support our current lease requirements. We anticipate having sufficient lease capacity to meet our capital requirements in fiscal year 2012.¿

**Long-term Debt**

In April 2010, we issued C$225.0 million of Series 1 Debentures and entered into a fourth amended and restated credit agreement that extended the maturity of our credit facilities to April 2013 and provided a new $50.0 million term loan. The net proceeds of the Series 1 Debentures, combined with the new $50.0 million term loan and cash on hand were used to redeem all outstanding 8 3/4% senior notes and terminate the associated swap agreements in April 2010. The full details of this debt restructuring are as follows:

9.125% Series 1 Debentures

On April 7, 2010, we closed a private placement of 9.125% Series 1 Debentures (as defined below) due 2017 (the "Series 1 Debentures") for gross proceeds of $225.0 million and net proceeds after commissions and related expenses of $218.1 million. A more detailed discussion on the Series 1 Debentures can be found under "*9.125% Series 1 Debentures*" in the "Liquidity and Capital Resources" section of this MD&A.

8 3/4% Senior Notes Redemption

Beginning December 1, 2009, our 8 3/4% senior notes were redeemable at 100% of the principal amount. On March 29, 2010, we issued a redemption notice to holders of the notes to redeem all outstanding 8 3/4% senior notes and, on April 28, 2010, the notes were redeemed and cancelled. The redemption amount included the US$200.0 million principal outstanding and US$7.1 million of accrued interest.

In connection with the redemption of our 8 3/4% senior notes, we wrote off unamortized deferred financing costs of $4.3 million.

Termination of Cross-Currency and Interest Rate Swaps

On April 8, 2010, we terminated the cross-currency and interest rate swaps associated with the 8 3/4% senior notes. The payment to the counterparties required to terminate the swaps was $91.1 million and represented the fair value of the swap agreements, including accrued interest. A more detailed discussion of this cancellation can be found below in the "Foreign exchange risk" and "Interest rate risk" sections of "Quantitative and Qualitative Disclosures about Market Risk".

$50.0 million Term Facility

On April 30, 2010, we entered into a fourth amended and restated credit agreement to extend the term of the credit agreement and also to add additional borrowings of up to $50.0 million through a second term facility within the credit facilities. At April 30, 2010, the second term facility was fully drawn at $50.0 million. The new term facility, along with the existing term facility, matures on April 30, 2013. A more detailed discussion on the April 30, 2010 fourth amended and restated credit agreement can be found under "*Credit facilities*" in this "Liquidity and Capital Resources" section of this MD&A.

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

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**Letters of credit**

One of our major contracts allows the customer to require that we provide up to $50.0 million in letters of credit. As at March 31, 2011, we had $10.0 million in letters of credit outstanding in connection with this contract (we had $12.3 million in letters of credit outstanding in total for all customers as of March 31, 2011). Any change in the amount of the letters of credit required by this customer must be requested by November 1st in each year for an issue date of January 1st following the date of such request, for the remaining life of the contract.

**Sources of liquidity**

Our principal sources of cash are funds from operations and borrowings under our credit facility. As of March 31, 2011, there were outstanding borrowings of $3.5 million and issued and undrawn letters of credit of $12.3 million under the $85.0 million Revolving Facility and outstanding borrowings of $68.4 million ($28.4 million at March 31, 2010) under the Term Facilities.

As at March 31, 2011, we had $10.1 million in trade receivables that were more than 30 days past due compared to $7.5 million as at March 31, 2010. We have currently provided an allowance for doubtful accounts related to our trade receivables of $nil ($1.7 million at March 31, 2010). We continue to monitor the credit worthiness of our customers. To date our exposure to potential writedowns in trade receivables has been limited to the financial condition of developers of condominiums and high-rise developments in our Piling segment.

**Borrowing activity under the Revolving Facility**

During the year ended March 31, 2011, we used our Revolving Facility to finance our working capital requirements. At March 31, 2011, we had $3.5 million of borrowings outstanding on our Revolving Facility. For the three months ended March 31, 2011, the weighted average amount of our borrowing on the Revolving Facility was $24.4 million with a weighted average interest rate of 6.5%. For the year ended March 31, 2011, the weighted average amount of our borrowing on the Revolving Facility was $8.1 million with a weighted average interest rate of 6.5%. The weighted average amount of our borrowing on the Revolving Facility is calculated based on the weighted average of the outstanding balances in the three month and year periods, respectively. The maximum end of month balance for any single month during the three months and year ended March 31, 2011 was $30.0 million.

As of March 31, 2011, we had issued $12.3 million ($10.4 million at March 31, 2010) in letters of credit under the Revolving Facility to support performance guarantees associated with customer contracts. As at March 31, 2011, our unused borrowing availability under the Revolving Facility was $69.2 million.

**Working capital fluctuations effect on cash**

The seasonality of our business usually causes a higher accounts receivable balance and a peak in activity levels between December and early February, which can result in an increase in our working capital requirements. Our working capital is also significantly affected by the timing of the completion of projects. In some cases, our customers are permitted to withhold payment of a percentage of the amount owing to us for a stipulated period of time (such percentage and time period is usually defined by the contract and in some cases provincial legislation). This amount acts as a form of security for our customers and is referred to as a “holdback”. Typically, we are only entitled to collect payment on holdbacks provided that substantial completion of the contract has been performed, there are no outstanding claims by subcontractors or others related to work performed by us and we have met the time period specified by the contract (usually 45 days after completion of the work). However, in some cases, we are able to negotiate the progressive release of holdbacks as the job reaches various stages of completion. As at March 31, 2011, holdbacks totaled $12.0 million, up from $3.9 million as at March 31, 2010. Holdbacks represent 9.4% of our total accounts receivable as at March 31, 2011 (3.5% as at March 31, 2010).

**Cash requirements**

As at March 31, 2011, our cash balance of $0.7 million was $102.3 million lower than our cash balance at March 31, 2010. The change in cash balance reflects the April 2010 settlement of our 8 3/4% senior notes and the associated cross-currency and interest rate swaps, funded in part by our Series 1 Debentures and the addition of an additional term facility secured through our fourth amended and restated credit facility. The reduction in the cash balance also reflects the Cyntech acquisition, capital expenditures and the impact of increased working capital balances. We anticipate that we will have generated a net cash surplus from operations for the year ended March 31, 2012. In the event that we require additional funding, we believe that any such funding requirements would be satisfied by the funds available from our credit facilities described immediately below. *

**Credit facilities**

On April 30, 2010, we entered into a fourth amended and restated credit agreement to extend the term of the credit facilities and increase the amount of the term loans. The new credit facilities provide for total borrowings of up to $163.4 million (previously $125.0 million) under which revolving loans, term loans and letters of credit may be issued. The Revolving Facility of $85.0 million (previously $90.0 million) was undrawn at closing. The new agreement includes two term facilities providing

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for borrowings of up to $78.4 million. At April 30, 2010, the Term A Facility and Term B Facility, as defined in the credit agreement (the Term Facilities), were both fully drawn at $28.4 million and $50.0 million, respectively. The new Term Facilities mature on April 30, 2013.

Advances under the Revolving Facility may be repaid from time to time at our option. The Term Facilities include scheduled repayments totaling $10.0 million per year with $2.5 million paid on the last day of each quarter commencing June 30, 2010. In addition, we must make annual payments within 120 days of the end of our 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. Based on the calculation of Consolidated Excess Cash Flow at March 31, 2011, we will not be required to make an additional principal payment in fiscal year 2012.

The facilities bear interest at variable rates, based on the Canadian prime rate plus the applicable pricing margin (as defined within 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 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 US dollar LIBOR loans is paid during each interest period at a rate per annum, calculated on a 360-day year, equal to the US dollar LIBOR rate with respect to such interest period plus the applicable pricing margin. Stamping Fees (as defined in the credit agreement) and interest on advances of Bankers' Acceptances (as defined in the credit agreement) are paid in advance, at the time of issuance.

The applicable pricing margin (as defined within the credit agreement) is connected to our credit rating from Standard & Poor's. If our credit rating were to be downgraded by this rating agency, we would receive a 1% increase in our applicable pricing margin (as defined within the credit agreement).

The new credit facilities are secured by a first priority lien on substantially all of our existing and after-acquired property. The credit agreement contains customary covenants including, but not limited to, incurring additional debt, transferring or selling assets, making investments including acquisitions or paying dividends or redeeming shares of capital stock. We are also required to meet certain financial covenants defined in the credit agreement including: (i) Senior Leverage Ratio (Senior Leverage to Consolidated EBITDA) which must be less than 2.0 times, (ii) Consolidated Interest Coverage Ratio (Consolidated EBITDA to Consolidated Cash Interest Expense) which must be greater than 2.5 times, and (iii) Current Ratio (Current Assets to Current Liabilities) which must be greater than 1.25 times. Continued access to the facilities is not contingent on the maintenance of a specific credit rating. The definition of these covenants is unchanged from the previous third amended and restated credit agreement. As a result of the revenue writedown on the Canadian Natural long-term overburden removal contract, discussed in the "Explanatory Notes—Significant Business Event" section of this MD&A, we were not in compliance with certain existing financial covenants as at March 31, 2011 on our credit agreement. On May 20, 2011, we received an amendment to our credit agreement, from our lenders, to exclude the $42.5 million revenue writedown on our long-term overburden removal contract with Canadian Natural when determining Consolidated EBITDA (as defined in our credit agreement) related covenant compliance. This amendment ensures that this revenue writedown will not result in a breach of Consolidated EBITDA (as defined in our credit agreement) related covenant compliance at March 31, 2011 or any future date. As a result of this amendment, we remain in compliance with all of the financial covenants on our credit agreement.

Financing fees of $1.0 million were incurred in connection with the fourth amended and restated credit agreement, dated April 30, 2010 and were recorded as deferred financing costs.

Consolidated EBITDA is defined within the credit agreement to be the sum, without duplication, of (a) consolidated net income, (b) consolidated interest expense, (c) provision for taxes based on income, (d) total depreciation expense, (e) total amortization expense, (f) costs and expenses incurred by us in entering into the credit facility, (g) accrual of stock-based compensation expense to the extent not paid in cash or if satisfied by the issuance of new equity, (h) the non-cash currency translation losses or mark-to-market losses on any hedge agreement (defined in the credit agreement) or any embedded derivative, and (i) other non-cash items including goodwill impairment (other than any such non-cash item to the extent it represents an accrual of or reserve for cash expenditures in any future period) but only, in the case of clauses (b)-(i), to the extent deducted in the calculation of consolidated net income, less (i) the non-cash currency translation gains or mark-to-market gains on any hedge agreement or any embedded derivative to the extent added in the calculation of consolidated net income, and (ii) other non-cash items added in the calculation of consolidated net income (other than any such non-cash item to the extent it will result in the receipt of cash payments in any future period), all of the foregoing as determined on a consolidated basis in conformity with GAAP.

The credit facility may be prepaid in whole or in part without penalty, except for bankers' acceptances, which are not pre-payable prior to their maturity. However, the credit facility requires prepayments under various circumstances, such as:

i. 100% of the net cash proceeds of certain asset dispositions;

ii. 100% of the net cash proceeds from our issuance of equity (unless the use of such securities' proceeds is otherwise designated by the applicable offering document); and

iii. 100% of all casualty insurance and condemnation proceeds, subject to exceptions.

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**9.125% Series 1 Debentures**

On April 7, 2010, we closed a private placement of Series 1 Debentures for gross proceeds of $225.0 million and net proceeds after commissions and related expenses of $218.1 million. Financing fees of $6.9 million were incurred in connection with the Series 1 Debentures and were recorded as deferred financing costs.

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 us or any of our subsidiaries. The Series 1 Debentures are effectively subordinated to all secured debt to the extent of the value of the collateral.

At any time prior to April 7, 2013, we may redeem up to 35% of the aggregate principal amount of the Series 1 Debentures, with the net cash proceeds of one or more of our public equity offerings (as defined in the trust indenture that governs the Series 1 Debentures) 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 is made within 90 days of the equity offering.

At any time prior to April 7, 2013, we 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 indenture that governs the Series 1 Debenture) and (b) 100% of the aggregate principal amount of 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 our option, 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, as defined in the trust indenture, occurs we will be required to offer to purchase all or a portion of each holder's Series 1 Debentures at a purchase price in cash equal to 101% of the principal amount of the debentures offered for repurchase plus accrued interest to the date of purchase.

The Series 1 Debentures were rated B+ by Standard & Poor's and B3 by Moody's (see "Debt Ratings").

**CAPITAL COMMITMENTS**

**Contractual obligations and other commitments**

Our principal contractual obligations relate to our long-term debt, capital and operating leases and supplier contracts. The following table summarizes our future contractual obligations, excluding interest payments, unless otherwise noted, as of March 31, 2011.

| | | Payments due by fiscal year | | | | |
|---|---|---|---|---|---|---|
| (dollars in thousands) | Total | 2012 | 2013 | 2014 | 2015 | 2016 and after |
| Series 1 Debentures | $225,000 | $ – | $ – | $ – | $ – | $225,000 |
| Term facilities | 68,446 | 10,000 | 10,000 | 48,446 | – | – |
| Revolving facilities | 3,524 | – | – | 3,524 | | |
| Capital leases (including interest) | 9,257 | 5,267 | 3,087 | 562 | 270 | 71 |
| Equipment and building operating leases | 190,125 | 71,399 | 51,896 | 38,508 | 21,871 | 6,451 |
| Supplier contracts | 51,956 | 14,997 | 14,997 | 19,489 | 2,473 | – |
| **Total contractual obligations** | **$548,308** | **$101,663** | **$79,980** | **$110,529** | **$24,614** | **$231,522** |

**Off-balance sheet arrangements**

We have no off-balance sheet arrangements in place at this time.

**DEBT RATINGS**

On May 25, 2011, following the announcement that we would take a revenue writedown on the long-term overburden removal contract with Canadian Natural Standard and Poor's Ratings Services ("S&P") affirmed our 'B+' long-term corporate credit rating and affirmed the senior unsecured debt rating of 'B+' and recovery rating of '3' on our Series 1 Debentures. However, S&P did revise its outlook on our corporate rating to 'Negative' from 'Stable'.

Moody's Investor Services, Inc. ("Moody's") affirmed our corporate credit ratings in March 2010 and rated our Series 1 Debentures in April 2010. Moody's is currently conducting its annual review of our ratings.

Our credit ratings from these two agencies are as follows:

| Category | Standard & Poor's | Moody's |
|---|---|---|
| Corporate Rating | B+ ('negative' outlook) | B2 ('stable' outlook) |
| Series 1 Debentures | B+ (recovery rating of "3") | B3 (LGD# rating of "5") |

# Loss Given Default

A change in our credit ratings, particularly the rating issued by S&P, will affect the interest rate payable on borrowings under our credit agreement. Additionally, counterparties to certain agreements may require additional security or other changes in business terms if our credit ratings are downgraded. Furthermore, these ratings are required for us to access the public debt markets, and they affect the pricing of such debt. Any downgrade in our credit ratings from current levels could adversely affect our long-term financing costs, which in turn could adversely affect our ability to pursue business opportunities.

A credit rating is a current opinion of the credit worthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program (including ratings on medium-term note programs and commercial paper programs). It takes into consideration the credit worthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and takes into account the currency in which the obligation is denominated. The opinion evaluates the obligor's capacity and willingness to meet its financial commitments as they come due, and may assess terms, such as collateral security and subordination, which could affect ultimate payment in the event of default. A credit rating is not a statement of fact or recommendation to purchase, sell, or hold a financial obligation or make any investment decisions nor is it a comment regarding an issuer's market price or suitability for a particular investor. A credit rating speaks only as of the date it is issued and can be revised upward or downward or withdrawn at any time by the issuing rating agency if it decides circumstances warrant a revision. Definitions of the categories of each rating and the factors considered during the evaluation of each rating have been obtained from each respective rating organization's website as outlined below.[17]

**Standard and Poor's**

An obligation rated B is regarded as having speculative characteristics, but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

A recovery rating of "3" for the Series 1 Debentures indicates an expectation for an average of 50% to 70% recovery in the event of a payment default.

A Standard & Poor's rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically nine months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future CreditWatch action. A Stable outlook means that a rating is not likely to change. A Negative outlook means that a rating may be lowered.

**Moody's**

Obligations rated "B" are considered speculative and are subject to high credit risk. Moody's appends numerical modifiers to each generic rating classification from "Aaa" through "C". The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

LGD assessments are opinions about expected loss given default on fixed income obligations expressed as a percent of principal and accrued interest at the resolution of the default. An LGD assessment (or rate) is the expected LGD divided by the expected amount of principal and interest due at resolution. A LGD rating of "5" indicates a loss range of greater than or equal to 70% and less than 90%.

A Moody's rating outlook is an opinion regarding the likely direction of an issuer's rating over the medium term. Where assigned, rating outlooks fall into the following four categories: Positive ("POS"), Negative ("NEG"), Stable ("STA") and Developing ("DEV"—contingent upon an event). In the few instances where an issuer has multiple ratings with outlooks of differing directions, an "(m)" modifier (indicating multiple, differing outlooks) will be displayed and Moody's written research will describe any differences and provide the rationale for these differences. A "RUR" (Rating(s) Under Review) designation indicates that the issuer has one or more ratings under review for possible change, and thus overrides the outlook designation. When an outlook has not been assigned to an eligible entity, "NOO" (No Outlook) may be displayed. A Stable outlook means that a rating is not likely to change.

[17] This information is current as of this report and we undertake no obligation to provide investors with updated information.

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### RELATED PARTIES

The Sterling Group, L.P., Perry Strategic Capital Inc., and SF Holding Corp. are collectively “our Sponsors”. We may receive consulting and advisory services provided by our Sponsors (principals or employees of such Sponsors are directors of our company) with respect to the organization of our companies, employee benefit and compensation arrangements, and other matters, and no fee is charged for these consulting and advisory services.

In order for our Sponsors to provide such advisory and consulting services, we provide reports, financial data and other information to our Sponsors. This permits them to consult with and advise us on matters relating to our operations, company affairs and finances. In addition, this permits our Sponsors to visit and inspect any of our properties and facilities.

We provided shared service support for our joint venture nominee, Noramac Ventures Inc. for the first nine months of the fiscal year ended March 31, 2011.

### INTERNAL SYSTEMS AND PROCESSES

**Evaluation of disclosure controls and procedures**

Our disclosure controls and procedures are designed to provide reasonable assurance that information we are required to disclose is recorded, processed, summarized and reported within the time periods specified under Canadian and US securities laws. They include controls and procedures designed to ensure that information is accumulated and communicated to management, including the President and Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosures.

As of March 31, 2011, an evaluation was carried out under the supervision of and with the participation of management, including the President and Chief Executive Officer and the Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the US Securities Exchange Act of 1934, as amended, and in National Instrument 52-109 under the Canadian Securities Administrators Rules and Policies. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of the Evaluation Date such disclosure controls and procedures were effective.

**Management’s Report on Internal Control over Financial Reporting**

Internal control over financial reporting is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and of the preparation of financial statements for external purposes in accordance with US GAAP. Management, including the President and Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting (ICFR), as such term is defined in Rule 13(a)-15(e) under the US Securities Exchange Act of 1934 and in National Instrument 52-109 under the Canadian Securities Administrators Rules and Policies. A material weakness in ICFR exists if the deficiency is such that there is reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

Because of its inherent limitations, ICFR may not prevent or detect misstatements. Also, projections or any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As of March 31, 2011, we assessed the effectiveness of our ICFR. In making this assessment, we used the criteria set forth in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that, as of March 31, 2011, our internal control over financial reporting is effective. Our independent auditor, KPMG LLP, has issued an audit report that we, as at March 31, 2011, maintained, in all material respects, effective internal control over financial reporting based on the criteria established in Internal Control-Integrated Framework issued by the COSO.

**Material changes to internal controls over financial reporting**

For the year ended March 31, 2010, we identified a material weakness in our ICFR, which was remediated during the year ended March 31, 2011, as follows:

In the year ended March 31, 2010, we did not maintain effective processes and controls specific to revenue recognition. We did not effectively develop, communicate and implement sufficient monitoring controls over the completeness and accuracy of forecasts, including the consideration of project changes subsequent to the end of each reporting period.

To remediate this material weakness in the current fiscal year we established a dedicated project team, led by a senior member of our Finance team. The project team developed and implemented standardized business practices and detection controls specific to improving the accuracy of forecasts. These remedies also integrated consideration of project changes subsequent to the end of each reporting period. The project team also established and implemented a revenue recognition policy and rolled out a training program and detection controls to improve the understanding and performance of timely cost recognition. Management is satisfied that these new practices and controls have remedied the issue and corrected our ICFR deficiencies.

### CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with US GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period.

Significant estimates made by us include the assessment of the percentage of completion on time-and-materials, unit-price and lump-sum contracts (including estimated total costs and provisions for estimated losses) and the recognition of claims and change orders on revenue contracts; assumptions used to value free standing and embedded derivatives and other financial instruments; assumptions used in periodic impairment testing; and, estimates and assumptions used in the determination of the allowance for doubtful accounts, the recoverability of deferred tax assets and the useful lives of property, plant and equipment and intangible assets. Actual results could differ materially from those estimates.

The accuracy of our revenue and profit recognition in a given period is dependent, in part, on the accuracy of our estimates of the cost to complete each time-and-materials, unit-price, and lump-sum project. Our cost estimates use a detailed “bottom up” approach, using inputs such as labour and equipment hours, detailed drawings and material lists. These estimates are reviewed and updated monthly. We believe our experience allows us to produce materially reliable estimates. However, some of our projects can be highly complex. Profit margin estimates for a project may either increase or decrease from the amount that was originally estimated at the time of the related bid. With many projects of varying levels of complexity and size in process at any given time, changes in estimates can offset each other without materially impacting our profitability. Major changes in cost estimates, particularly in larger, more complex projects, such as those performed in our Heavy Construction and Mining segment can have a significant effect on profitability.

The complex judgments and estimates most critical to an investor’s understanding of our financial results and condition are contained within our significant accounting policies (described in detail in our audited consolidated financial statements for the year ended March 31, 2011 and notes that follow). Below is a summary of how we apply these critical accounting estimates in our significant accounting policies:

**Revenue recognition policy**

We perform our projects under the following types of contracts: time-and-materials; cost-plus; unit-price; and lump-sum. Revenue is recognized as costs are incurred for time-and-materials and cost-plus service contracts with no clearly defined scope. Revenue on cost-plus, unit-price, lump-sum and time-and-materials contracts with defined scope is recognized using the percentage-of-completion method, measured by the ratio of costs incurred to date to estimated total costs. The estimated total cost of the contract and percent complete is determined based upon our estimates. The costs of items that do not relate to performance of contracted work, particularly in the early stages of the contract, are excluded from costs incurred to date. The resulting percent complete methodology is applied to the approved contract value to determine the revenue recognized. Customer payment milestones typically occur on a periodic basis over the period of contract completion.

The length of our contracts varies from less than one year for typical contracts to several years for certain larger contracts. Contract project costs include all direct labour, material, subcontract and equipment costs and those indirect costs related to contract performance such as indirect labour, supplies, and tools. General and administrative expenses are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

The accuracy of our revenue and profit recognition in a given period is dependent on the accuracy of our estimates of the cost to complete each project. Cost estimates for all of our significant projects use a highly detailed “bottom up” approach and we believe our experience allows us to provide materially reliable estimates. There are a number of factors that can contribute to changes in estimates of contract cost and profitability that are recognized in the period in which such adjustments are determined. The most significant of these include:

- the completeness and accuracy of the original bid;
- costs associated with added scope changes (to the extent contract remedies are unavailable);
- extended overhead due to owner, weather and other delays (to the extent contract remedies are unavailable);
- subcontractor performance issues;
- changes in economic indices used to estimate future costs-to-complete on longer-term contracts;
- changes in productivity expectations;
- site conditions that differ from those assumed in the original bid (to the extent contract remedies are unavailable);
- contract incentive and penalty provisions;
- the availability and skill level of workers in the geographic location of the project; and
- a change in the availability and proximity of equipment and materials.

The foregoing factors as well as the mix of contracts at different margins may cause fluctuations in gross profit between periods. Substantial changes in cost estimates, particularly in our larger, more complex projects have had, and can in future periods have, a significant effect on our profitability.

Once a project is underway, we often experience changes in conditions, client requirements, specifications, designs, materials and work schedule. Generally, a “change order” will be negotiated with the customer to modify the original contract

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to approve both the scope and price of the change. Occasionally, however, disagreements arise regarding changes, their nature, measurement, timing and other characteristics that impact costs and revenue under the contract. When a change becomes a point of dispute between us and a customer, we will then consider it as a claim.

Costs related to unapproved change orders and claims are recognized when they are incurred.

Revenues related to unapproved change orders and claims are included in total estimated contract revenue only to the extent that contract costs related to the claim have been incurred and when it is probable that the unapproved change order or claim will result in:

i. a bona fide addition to contract value; and

ii. revenue can be reliably estimated.

These two conditions are satisfied when:

- the contract or other evidence provides a legal basis for the unapproved change order or claim or a legal opinion is obtained providing a reasonable basis to support the unapproved change order or claim;
- additional costs incurred were caused by unforeseen circumstances and are not the result of deficiencies in our performance;
- costs associated with the unapproved change order or claim are identifiable and reasonable in view of work performed; and
- evidence supporting the unapproved change order or claim is objective and verifiable.

This can lead to a situation where costs are recognized in one period and revenue is recognized when customer agreement is obtained or claim resolution occurs, which can be in subsequent periods. Historical claim recoveries should not be considered indicative of future claim recoveries.

Our long term contracts typically allow its customers to unilaterally reduce or eliminate the scope of the work as contracted without cause. These long term contracts represent higher risk due to uncertainty of total contract value and estimated costs to complete; therefore, potentially impacting revenue recognition in future periods.

A contract is regarded as substantially completed when remaining costs and potential risks are insignificant in amount.

Our policy is to recognize revenue from the sale of our other products and services as follows:

- Revenue recognition from equipment rentals occurs when there is a written arrangement in the form of a contract or purchase order with the customer, a fixed or determinable sales price is established with the customer, performance requirements are achieved, and ultimate collection of the revenue is reasonably assured. Equipment rental revenue is recognized as performance requirements are achieved in accordance with the terms of the relevant agreement with the customer, either at a monthly fixed rate or on a usage basis dependent on the number of hours that the equipment is used;
- Revenue from tank services is provided based upon orders and contracts with the customer that include fixed or determinable prices based upon daily, hourly or job rates and is recognized as the services are provided to the customer; and
- Revenue from anchor manufacturing and product sales is recognized when the products are shipped to the customer.

We recognize revenue from the foregoing activities once persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, fees are fixed and determinable and collectability is reasonably assured.

**Property, plant and equipment policy**

The most significant estimates in accounting for property, plant and equipment are the expected useful life of the asset and the expected residual value. Most of our property, plant and equipment have long lives that can exceed 20 years with proper repair work and preventative maintenance. Useful life is measured in operating hours, excluding idle hours, and a depreciation rate is calculated for each type of unit. Depreciation expense is determined monthly based on daily actual operating hours. In determining the estimates of these useful lives, we take into account industry trends and company-specific factors, including changing technologies and expectations for the in-service period of certain assets. On an annual basis, we re-assess our existing estimates of useful lives to ensure they match the anticipated life of the equipment from a revenue-producing perspective. If technological change happens more quickly or in a different way than anticipated, we might have to reduce the estimated life of property, plant and equipment, which could result in a higher depreciation expense in future periods or we may record an impairment charge to writedown the value of property, plant and equipment.

Another key estimate is the expected cash flows from the use of an asset and the expected disposal proceeds in applying ASC 360, “Property, Plant and Equipment”, on the impairment and disposal of long-lived assets. This standard requires the recognition of an impairment loss for a long-lived asset when changes in circumstances cause its carrying value to exceed the total undiscounted cash flows expected from its use and disposition. An impairment loss, if any, is determined as the excess of the carrying value of the asset over its fair value. The valuation of long-lived assets requires us to exercise judgment in the determination of an asset group and in making assumptions about future results, including revenue and cash flow projections for an asset group.

**Allowance for doubtful accounts receivable policy**

We regularly review our accounts receivable balances for each of our customers and we writedown these balances to their expected realizable value when outstanding amounts are determined not to be fully collectible. This generally occurs when our customer has indicated an inability to pay, we were unable to communicate with our customer over an extended period of time and we have considered other methods to obtain payment without success. We determine estimates of the allowance for doubtful accounts on a customer-by-customer evaluation of collectability at each reporting date, taking into consideration the length of time the receivable has been outstanding and specific knowledge of each customer's financial condition and history.

**Goodwill impairment policy**

Impairment is tested at the reporting unit level by comparing the reporting unit's carrying amount to its fair value. The process of determining fair value is subjective and requires us to exercise judgment in making assumptions about future results, including revenue and cash flow projections at the reporting unit level and discount rates. Generally, we test goodwill annually on October 1. It is our intention to continue to complete goodwill impairment testing annually on October 1 going forward or whenever events or changes in circumstances indicate that impairment may exist. We completed our most recent annual goodwill impairment testing on October 1, 2010. This impairment test showed that the fair value of the Piling reporting unit exceeded its carrying value.

**Financial instruments policy**

In determining the fair value of financial instruments, we use 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 our 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.

We use derivative financial instruments to manage financial risks from fluctuations in exchange rates, interest rates and inflation. These instruments include embedded price escalation features in revenue and supplier contracts. In developing such escalators we rely on industry standards, historical data and management's experience. We use these price escalation features for risk management purposes only. We do not hold or issue derivative financial instruments for trading or speculative purposes. Derivative financial instruments are subject to standard credit terms and conditions, financial controls, management and risk monitoring procedures. These derivative financial instruments are not designated as hedges for accounting purposes and are recorded at fair value with realized and unrealized gains and losses recognized in the Consolidated Statement of Operations, Comprehensive Income (Loss) and Deficit.

**Foreign currency translation policy**

Accounts of our 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.

Our functional currency for the majority of our subsidiaries 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.

**RECENTLY ADOPTED ACCOUNTING POLICIES**

**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. We adopted this ASU effective April 1, 2010. The adoption of this standard did not have a material effect on our interim consolidated financial statements.

**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 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. We adopted this ASU effective July 1, 2010. The adoption of this standard did not have a material effect on our interim consolidated financial statements.

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### RECENT ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

**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 us, this ASU is effective prospectively for revenue arrangements entered into or materially modified on or after April 1, 2011. We are currently evaluating the effect of this ASU on our interim consolidated financial statements.

**Share based payment awards**

In April 2010, the FASB issued ASU No. 2010-13, “Effect of Denominating the Exercise Price of 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 us beginning on April 1, 2011. We are currently evaluating the effect of this ASU on our interim consolidated financial statements.

**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. This ASU is effective for our 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 our consolidated financial statements.

**Business Combinations**

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

## G. FORWARD-LOOKING INFORMATION, ASSUMPTIONS AND RISK FACTORS

### FORWARD-LOOKING INFORMATION

This document contains forward-looking information that is based on expectations and estimates as of the date of this document. Our forward-looking information is information that is subject to known and unknown risks and other factors that may cause future actions, conditions or events to differ materially from the anticipated actions, conditions or events expressed or implied by such forward-looking information. Forward-looking information is information that does not relate strictly to historical or current facts and can be identified by the use of the future tense or other forward-looking words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “estimate”, “should”, “may”, “could”, “would”, “target”, “objective”, “projection”, “forecast”, “continue”, “strategy”, “intend”, “position” or the negative of those terms or other variations of them or comparable terminology.

Examples of such forward-looking information in this document include, but are not limited to, statements with respect to the following, each of which is subject to significant risks and uncertainties and is based on a number of assumptions which may prove to be incorrect:

(a) The expectation that the new escalation indices recommendation by the working group in the Canadian Natural long-term overburden removal contract will be made by August 31, 2011;

(b) The expectation that it is probable that costs related to the Canadian Natural long-term overburden removal contract will be recovered;

(c) The expectation that the acceptance by Canadian Natural of the adjustments to the long-term overburden removal contract indices is probable;

(d) The expectation that upon resolution of the pricing issue with Canadian Natural it will be possible to reverse part or all of any profit writedown made;

(e) The expectation that the revenue writedown on the Canadian Natural long-term overburden contract will not have a negative impact on any of our other operations or have a material impact on our financial position;

(f) The expectation that our capabilities will enable us to support our customers' new oil sands developments and expansions and increasing volume of recurring services generated by existing oil sands mines;

(g) The expectation that we will continue to provide construction services to in situ projects;

(h) The expectation that demand for recurring oil sands services will continue to grow;

(i) The expectation that the investment plans of Suncor and Syncrude could create opportunities for our new Tailings and Environmental Construction division;

(j) The expectation that three of the four active oil sands mines will be operating throughout this year;

(k) The expectation that we will benefit from increased construction spending in the private sector over the coming years as the economy continues to recover;

(l) The expectation that rising demand outside the oil sands potentially reduces competitors looking for work in the oil sands;

(m) The expectation that the mine development projects under consideration for permits and environmental approvals in British Columbia will create strong demand for mining and facility construction services;

(n) The expectation that Canada's power transmission sector will experience significant investment over the next decade;

(o) The expectation that resource mining development activity will return to levels that prevailed prior to the economic downturn and capital investment will reach increased levels;

(p) The expectation that economic conditions are expected to improve;

(q) The expectation that near-term demand will increase, supporting improved pricing and reducing risk on new contracts;

(r) The expectation that we will see a return to growth in recurring services revenue at existing mines as activity levels increase and projects move from construction to the operational phase;

(s) The expectation that approximately $133.4 million of total backlog will be performed and realized in the 12 months ending March 31, 2012;

(t) The expectation that we may experience some near-term impact to revenue as a result of the recently announced work suspension;

(u) The expectation that we will work with Canadian Natural to identify any contract-related equipment that can be redeployed to other projects in the region;

(v) The expectation that the redeployment of resources could partially offset the expected decline in revenues and positively impact margins and cash flow in the near-term;

(w) The expectation that our outlook will continue to improve as a result of increasing investment in the oil sands, awarded and anticipated major contracts and strengthening of general economic conditions;

(x) The expectation that the work scope under the three-year master services agreement with Shell could increase;

(y) The expectation that we will be awarded a new five-year master services agreement by Suncor;

(z) The expectation that revenue growth will continue to outpace margin growth in the near term but should improve as older contracts eventually expire and are replaced;

(aa) The expectation that activity levels in the Piling segment will increase in fiscal 2012, that margins will recover more quickly for this division compared to other parts of our business and that fiscal 2012 will be a strong year for this segment;

(bb) The expectation that business conditions relating to the Pipeline division will improve;

(cc) The expectation that a settlement between IUOE and ARBHCA will be reached without disruption;

(dd) The expectation that our capital needs in the current fiscal year will be approximately $90 million to $140 million;

(ee) The expectation that our operating and capital lease facilities and cash flow from operations will be sufficient to meet our funding requirements, including capital requirements, debt service requirements and business operations requirements, and will allow us the flexibility to respond to adverse changes, including changes in interest rates as well as economic, industry and competitive conditions; and

(ff) The expectation that we will generate a cash surplus from operations for the year ended March 31, 2012 to satisfy funding requirements, but if additional funding is needed, this would be satisfied by the funds available from our credit facilities;

While we anticipate that subsequent events and developments may cause our views to change, we do not have an intention to update this forward-looking information, except as required by applicable securities laws. This forward-looking information represents our views as of the date of this document and such information should not be relied upon as representing our

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views as of any date subsequent to the date of this document. We have attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimates expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. **There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.** These factors are not intended to represent a complete list of the factors that could affect us. See "Assumptions" and "Business Risk Factors" below and risk factors highlighted in materials filed with the securities regulatory authorities filed in the United States and Canada from time to time, including, but not limited to, our most recent Annual Information Form.

**ASSUMPTIONS**

The material factors or assumptions used to develop the above forward-looking statements include, but are not limited to:

- The timely settlement of negotiations with Canadian Natural related to the escalation indices on the long-term overburden removal contract;
- The demand for recurring services remaining strong;
- The oil sands continuing to be an economically viable source of energy;
- Our customers and potential customers continuing to invest in the oil sands and other resource developments and to outsource activities for which we are capable of providing services;
- Our clients have accurately gauged the impact of the delays related to the Suncor and Canadian Natural plant fires;
- The Western Canadian economy continuing to develop and to receive additional investment in public construction;
- The mine projects in British Columbia will generally be approved;
- Our ability to benefit from increased recurring services revenue and projected development revenue tied to the operational activities of the oil sands;
- Our ability to secure specific types of rental equipment to support project development activity will allow us to meet our customers' variable service requirements while balancing the need to maximize utilization of our own equipment;
- Our ability to access sufficient funds to meet our funding requirements will not be significantly impaired; and
- Our success in executing our growth strategy, managing our business, maintaining and growing our relationships with customers, retaining new customers, integrating our acquisitions, competing in the bidding process to secure new projects and identifying and implementing improvements in our maintenance and fleet management practices.

**BUSINESS RISK FACTORS**

The risks and uncertainties that could cause actual results to differ materially from the information presented in the above forward-looking statements and assumptions include, but are not limited to the risks detailed below. For further information on risks, including "Risks Related to Our Common Shares", please refer to "Risks and Uncertainties" in our most recent Annual Information Form.

- **Negotiations with Canadian Natural for the changes in escalation indices on the long term overburden removal contract may not be successful, potentially leading to claims under the contract or termination of the contract.**

  As discussed in more detail in the "Explanatory Notes – Significant Business Event" section of this MD&A, we have formed a joint working group with Canadian Natural to establish revised indices on the long term overburden removal contract this customer. Although we believe the acceptance of the revised indices to be probable, if the review of the indices being undertaken by the working group does not support our position or if the parties are not able to agree upon the appropriate adjustments, there is the potential of claims under the contract or termination of the contract. This could lead to a further revenue writedown in respect of all or a portion of unbilled revenue of up to $72.0 million related to the contract, in which event we will pursue any remedies we may have available to us.¿

- **The suspension of work on Canadian Natural's Horizon Oil Sands site may continue longer than anticipated.**

  As discussed in more detail in the "Explanatory Notes – Significant Business Event" section of this MD&A, we were notified on May 18, 2011 by Canadian Natural that we were to suspend overburden removal activities at their Horizon mine while Canadian Natural undertakes repairs to its primary upgrading facility, which was damaged in a fire in January 2011. The suspension of work notice is effective until January 2, 2012.

  If Canadian Natural is not able to complete their repairs as scheduled or bring their primary upgrading facility back to full capacity by the end of 2011 it is possible that the Canadian Natural's suspension of our overburden removal activity may extend beyond the original suspension notice date.

- **There can be no assurance that equipment or personnel on the Canadian Natural Horizon Oil Sands site can be redeployed on a cost-effective basis.**

  As a result of the recently announced work suspension on our long-term overburden removal contract with Canadian Natural, we intend to work with Canadian Natural to identify any equipment or personnel we can redeploy to other higher-margin projects in the region.

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

While we believe that there is a demand for this equipment on our other operational sites, there can be no assurance that equipment or personnel on the Canadian Natural Horizon Oil Sands site can be redeployed on a cost-effective basis during the Canadian Natural work suspension.

- ***Lump-sum and unit-price contracts expose us to losses when our estimates of project costs are lower than actual costs.***

Approximately 63%, 39% and 29% of our revenue for the fiscal years ended March 31, 2011, 2010 and 2009, respectively, was derived from lump-sum and unit-price contracts. Lump-sum and unit-price contracts require us to guarantee the price of the services we provide and thereby expose us to losses if our estimates of project costs are lower than the actual project costs we incur. Our profitability under these contracts is dependent upon our ability to accurately predict the costs associated with our services. The costs we actually incur may be affected by a variety of factors including those which are beyond our control. Factors that may contribute to actual costs exceeding estimated costs and which therefore affect profitability include, without limitation:

- site conditions differing from those assumed in the original bid;
- scope modifications during the execution of the project;
- the availability and cost of skilled workers;
- the availability and proximity of materials;
- unfavourable weather conditions hindering productivity;
- inability or failure of our customers to perform their contractual commitments;
- equipment availability, productivity and timing differences resulting from project construction not starting on time; and
- the general coordination of work inherent in all large projects we undertake.

When we are unable to accurately estimate and adjust for the costs of lump-sum and unit-price contracts, or when we incur unrecoverable cost overruns, the related projects result in lower margins than anticipated or may incur losses, which could adversely impact our results of operations, financial condition and cash flow.

- ***Our ability to maintain planned project margins on projects with longer-term contracts with fixed or indexed price escalators may be hampered by the price escalators not accurately reflecting increases in our costs over the life of the contract.***

Our ability to maintain planned project margins on longer-term contracts with contracted price escalators is dependent on the contracted price escalators accurately reflecting increases in our costs. If the contracted price escalators do not reflect actual increases in our costs we will experience reduced project margins over the remaining life of these longer-term contracts.

In strong economic times, the cost of labour, equipment, materials and sub-contractors is driven by the market demand for these project inputs. The level of increased demand for project inputs may not have been foreseen at the inception of the longer-term contracts with fixed or indexed price escalators resulting in reduced margins over the remaining life of the longer-term contracts. Certain of these price escalators could be considered derivative financial instruments (see “Significant Accounting Policies – Derivative Financial Instruments” in our audited consolidated financial statements for the year ended March 31, 2011).

One such long term contract that contained price indices is our long term overburden removal contract with Canadian Natural. As a result of price escalators in this contract not accurately reflecting increases in our costs, we reduced revenue to total costs on the contract, reducing our operating income by $42.5 million for the three months and year ended March 31, 2011.

- ***Unanticipated short term shutdowns of our customers’ operating facilities may result in temporary cessation or cancellation of projects in which we are participating.***

The majority of our work is generated from the development, expansion and ongoing maintenance of oil sands mining, extraction and upgrading facilities. Unplanned shutdowns of these facilities due to events outside our control or the control of our customers, such as fires, mechanical breakdowns and technology failures, could lead to the temporary shutdown or complete cessation of projects on which we are working. When these events have happened in the past, our business has been adversely affected. Our ability to maintain revenues and margins may be adversely affected to the extent these events cause reductions in the utilization of equipment.

- ***Our operations are subject to weather-related and environmental factors that may cause delays in our project work.***

Because our operations are located across Canada, including Northern British Columbia, Northern Alberta (Fort McMurray), Nunavut and Northern Ontario, we are subject to extreme weather conditions. While our operations are not significantly affected by normal seasonal weather patterns, extreme weather conditions, including heavy rain, snow, spring thaw, flooding, forest fires or dry forest fire conditions can cause delays in our project work, which could adversely impact

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our results of operations. Additionally, as we perform work in environmentally sensitive nature reserve areas we may be subject to seasonal reductions of our operating hours related to fish or wildlife restrictions set by the Government of Canada's Environment Canada or Fisheries and Oceans Canada departments.

- ***Our ability to grow our operations in the future may be hampered by our inability to obtain long lead time equipment and tires, which can be in limited supply during strong economic times.***

Our ability to grow our business is, in part, dependent upon obtaining equipment on a timely basis. Due to the long production lead times of suppliers of large mining equipment during strong economic times, we may have to forecast our demand for equipment many months or even years in advance. If we fail to forecast accurately, we could suffer equipment shortages or surpluses, which could have a material adverse impact on our financial condition and results of operations.

In strong economic times, global demand for tires of the size and specifications we require can exceed the available supply. Our inability to procure tires to meet the demands for our existing fleet as well as to meet new demand for our services could have an adverse effect on our ability to grow our business.

- ***Reduced availability or increased cost of leasing our equipment fleet could adversely affect our results.***

A portion of our equipment fleet is currently leased from third parties. Other future projects may require us to lease additional equipment. If equipment lessors are unable or unwilling to provide us with reasonable lease terms within our expectations, it will significantly increase the cost of leasing equipment or may result in more restrictive lease terms that require recognition of the lease as a capital lease. We are actively pursuing new lessor relationships to dilute our exposure to the loss of one or more of our lessors.

- ***We may not be able to access sufficient funds to finance our capital growth.***

We have a substantial amount of debt outstanding and significant debt service requirements. As of March 31, 2011, we had outstanding $463.6 million of debt[18], including $8.7 million of capital leases. Our substantial indebtedness restricts our flexibility, consequently it:

- limits our ability to obtain additional financing to fund our working capital, capital expenditures, debt service requirements, potential growth or other purposes;
- limits our ability to use operating cash flow in other areas of our business;
- limits our ability to post surety bonds required by some of our customers;
- places us at a competitive disadvantage compared to competitors with less debt;
- increases our vulnerability to, and reduces our flexibility in planning for, adverse changes in economic, industry and competitive conditions; and
- increases our vulnerability to increases in interest rates because borrowings under our revolving credit facility and payments under some of our equipment leases are subject to variable interest rates.

Further, if we do not have sufficient earnings to service our debt, we would need to refinance all or part of our existing debt, sell assets, borrow more money or sell securities, none of which we can guarantee we will be able to achieve on commercially reasonable terms, if at all.

- ***Our business is highly competitive and competitors may outbid us on major projects that are awarded based on bid proposals.***

We compete with a broad range of companies in each of our markets. Many of these competitors are substantially larger than we are. In addition, we expect the anticipated growth in the oil sands region will attract new and sometimes larger competitors to enter the region and compete against us for projects. This increased competition may adversely affect our ability to be awarded new business.

Approximately 80% of the major projects that we pursue are awarded to us based on bid proposals, and projects are typically awarded based in large part on price. We often compete for these projects against companies that have substantially greater financial and other resources than we do and therefore can better bear the risk of under pricing projects. We also compete against smaller competitors that may have lower overhead cost structures and may be able to provide their services at lower rates than we can. Our business may be adversely impacted to the extent that we are unable to successfully bid against these companies. The loss of existing customers to our competitors or the failure to win new projects could adversely affect our business and results of operations.

- ***Anticipated new major capital projects in the oil sands may not materialize.***

Notwithstanding the National Energy Board's estimates regarding new capital investment and growth in the Canadian oil sands, planned and anticipated capital projects in the oil sands may not materialize. The underlying assumptions on which

[18] Debt includes all liabilities with the exception of deferred income taxes

the capital projects are based are subject to significant uncertainties, and actual capital investments in the oil sands could be significantly less than estimated. Projected investments in new capital projects may be postponed or cancelled for any number of reasons, including among others:

- reductions in available credit for customers to fund capital projects;
- changes in the perception of the economic viability of these projects;
- shortage of pipeline capacity to transport production to major markets;
- lack of sufficient governmental infrastructure funding to support growth;
- delays in issuing environmental permits or refusal to grant such permits;
- shortage of skilled workers in this remote region of Canada; and
- cost overruns on announced projects.

- ***Changes in our customers' perception of oil prices over the long-term could cause our customers to defer, reduce or stop their investment in oil sands capital projects, which would, in turn, reduce our revenue from capital projects from those customers.***

Due to the amount of capital investment required to build an oil sands project, or construct a significant capital expansion to an existing project, investment decisions by oil sands operators are based upon long-term views of the economic viability of the project. Economic viability is dependent upon the anticipated revenues the capital project will produce, the anticipated amount of capital investment required and the anticipated fixed cost of operating the project. The most important consideration is the customer's view of the long-term price of oil which is influenced by many factors, including the condition of developed and developing economies and the resulting demand for oil and gas, the level of supply of oil and gas, the actions of the Organization of Petroleum Exporting Countries, governmental regulation, political conditions in oil producing nations, including those in the Middle East, war or the threat of war in oil producing regions and the availability of fuel from alternate sources. If our customers believe the long-term outlook for the price of oil is not favourable, or believe oil sands projects are not viable for any other reason, they may delay, reduce or cancel plans to construct new oil sands capital projects or capital expansions to existing projects. In the second half of 2009, the market price of oil decreased significantly which led to a slowdown of the world economy and a lower international demand for oil. As a result of those developments, many of our customers decided to temporarily scale back their capital development plans on oil sands projects until there was a clearer picture on the timing of the recovery of the world economy. Recent events related to the increases in the market price of oil and assertions by many of our customers about renewed confidence in the long-term growth in the oil sands has led to new announcements regarding oil sands capital investment. If there had not been signs of recovery of the world economy there would have been continuing delays, reductions or cancellations of major oil sands projects which would adversely affect our prospects for revenues from capital projects and could have an adverse impact on our financial condition and results of operations.

- ***Cost overruns by our customers on their projects may cause our customers to terminate future projects or expansions which could adversely affect the amount of work we receive from those customers.***

Oil sands development projects require substantial capital expenditures. In the past, several of our customers' projects have experienced significant cost overruns, impacting their returns. If cost overruns continue to challenge our customers, they could reassess future projects and expansions which could adversely affect the amount of work we receive from our customers.

- ***A change in strategy by our customers to reduce outsourcing could adversely affect our results.***

Outsourced Heavy Construction and Mining services constitute a large portion of the work we perform for our customers. For example, our mining and site preparation project revenues constituted approximately 78%, 88% and 74% of our revenues in each of the years ended March 31, 2011, 2010 and 2009, respectively. The election by one or more of our customers to perform some or all of these services themselves, rather than outsourcing the work to us, could have a material adverse impact on our business and results of operations. Certain customers perform some of this work internally and may choose to expand on the use of internal resources to complete this work. Additionally, the recent tightening of the credit market and worldwide economic downturn may result in our customers reducing their spending on outsourced mining and site preparation services if they believe they can perform this work in a more cost effective and efficient manner using their internal resources.

- ***An upturn in the Canadian economy, resulting in an increased demand for our services from the Canadian energy industry, could lead to a new shortage of qualified personnel.***

From fiscal 2007 through the first nine months of fiscal 2009, Alberta, and in particular the oils sands area, experienced significant economic growth which resulted in a shortage of skilled labour and other qualified personnel. New mining projects in the area made it more difficult for us and our customers to find and hire all the employees needed to work on these projects. If the economy returns to these previous growth levels and we are not able to recruit and retain sufficient numbers of employees with the appropriate skills, we may not be able to satisfy an increased demand for our services.

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This in turn, could have a material adverse effect on our business, financial condition and results of operations. If our customers are not able to recruit and retain enough employees with the appropriate skills, they may be unable to develop projects in the oils sands area.

- ***Because most of our customers are Canadian energy companies, a downturn in the Canadian energy industry or a global reduction in the demand for oil and related commodities could result in a decrease in the demand for our services.***

Most of our customers are Canadian energy companies. A downturn in the Canadian energy industry has previously led our customers to slow down or curtail their future capital expansions which, in turn, reduced our revenue from those customers on their capital projects. Another economic downturn in the Canadian energy industry or a global reduction in the demand for oil could have an adverse impact on our financial condition and results of operations. In addition, a reduction in the number of new oil sands capital projects by customers would also likely result in increased competition among oil sands service providers, which could also reduce our ability to successfully bid for new capital projects.

- ***Failure by our customers to obtain required permits and licenses due to complex and stringent environmental protection laws and regulations may affect the demand for our services.***

The development of the oil sands requires our customers to obtain regulatory and other permits and licenses from various governmental licensing bodies. Our customers may not be able to obtain all necessary permits and licenses that may be required for the development of the oil sands on their properties. In such a case, our customers' projects will not proceed, thereby adversely impacting demand for our services.

- ***Insufficient pipeline, upgrading and refining capacity could cause our customers to delay, reduce or cancel plans to construct new oil sands projects or expand existing projects, which would, in turn, reduce our revenue from those customers.***

For our customers to operate successfully in the oil sands, they must be able to transport the bitumen produced to upgrading facilities and transport the upgraded oil to refineries. Some oil sands projects have upgraders at mine site and others transport bitumen to upgraders located elsewhere. While current pipeline and upgrading capacity is sufficient for current production, future increases in production from new oil sands projects and expansions to existing projects will require increased upgrading and pipeline capacity. If these increases do not materialize, whether due to inadequate economics for the sponsors of such projects, shortages of labour or materials or any other reason, our customers may be unable to efficiently deliver increased production to market and may therefore delay, reduce or cancel planned capital investment. Such delays, reductions or cancellations of major oil sands projects would adversely affect our prospects and could have a material adverse impact on our financial condition and results of operations.

- ***Demand for our services may be adversely impacted by regulations affecting the energy industry.***

Our principal customers are energy companies involved in the development of the oil sands and in natural gas production. The operations of these companies, including their mining operations in the oil sands, are subject to or impacted by a wide array of regulations in the jurisdictions where they operate, including regulations directly impacting mining activities and indirectly affecting their businesses, such as applicable environmental laws and climate change laws. As a result of changes in regulations and laws relating to the energy industry, including the mining industry, our customers' operations could be disrupted or curtailed by governmental authorities or the market for their products could be adversely impacted. The high cost of compliance with applicable regulations or the reduction and demand for our customers' products may cause customers to discontinue or limit their operations, and may discourage companies from continuing development activities. As a result, demand for our services could be substantially affected by regulations adversely impacting the energy industry.

- ***Environmental laws and regulations may expose us to liability arising out of our operations or the operations of our customers.***

Our operations are subject to numerous environmental protection laws and regulations that are complex and stringent. We regularly perform work in and around sensitive environmental areas such as rivers, lakes and forests. Significant fines and penalties may be imposed on us or our customers for noncompliance with environmental laws and regulations, and our contracts generally require us to indemnify our customers for environmental claims suffered by them as a result of our actions. In addition, some environmental laws impose strict, joint and several liability for investigative and remediation costs in relation to releases of harmful substances. These laws may impose liability without regard to negligence or fault. We also may be subject to claims alleging personal injury or property damage if we cause the release of, or any exposure to, harmful substances.

We own or lease, and operate, several properties that have been used for a number of years for the storage and maintenance of equipment and other industrial uses. Fuel may have been spilled, or hydrocarbons or other wastes may have been released on these properties. Any release of substances by us or by third parties who previously operated on these properties may be subject to laws which impose joint and several liability for clean-up, without regard to fault, on specific classes of persons who are considered to be responsible for the release of harmful substances into the environment.

- ***Lack of sufficient governmental infrastructure to support the growth in the oil sands region could cause our customers to delay, reduce or cancel their future expansions, which would, in turn, reduce our revenue from those customers.***

The development in the oil sands region has put a great strain on the existing governmental infrastructure, necessitating substantial improvements to accommodate growth in the region. The local government having responsibility for a majority of the oil sands region has been exceptionally impacted by this growth and is not currently in a position to provide the necessary additional infrastructure. In an effort to delay further development until infrastructure funding issues are resolved, the local governmental authority has previously intervened in hearings considering applications by major oil sands companies to the Energy Resources Conservation Board ("ERCB") for approval to expand their operations. Similar action could be taken with respect to any future applications. The ERCB has indicated that it believes that additional infrastructure investment in the oil sands region is needed and that there is a short window of opportunity to make these investments in parallel with continued oil sands development. If the necessary infrastructure is not put in place, future growth of our customers' operations could be delayed, reduced or cancelled which could in turn adversely affect our prospects and could have a material adverse impact on our financial condition and results of operations.

- ***Significant labour disputes could adversely affect our business.***

Substantially all of our hourly employees are subject to collective bargaining agreements to which we are a party or are otherwise subject. Any work stoppage resulting from a strike or lockout could have a material adverse effect on our business, financial condition and results of operations. In addition, our customers employ workers under collective bargaining agreements. Any work stoppage or labour disruption experienced by our key customers could significantly reduce the amount of our services that they need.

- ***If we are unable to obtain surety bonds or letters of credit required by some of our customers, our business could be impaired.***

We are at times required to post a bid or performance bond issued by a financial institution, known as a surety, to secure our performance commitments. The surety industry experiences periods of unsettled and volatile markets, usually in the aftermath of substantial loss exposures or corporate bankruptcies with significant surety exposure. Historically, these types of events have caused reinsurers and sureties to re-evaluate their committed levels of underwriting and required returns. If for any reason, whether because of our financial condition, our level of secured debt or general conditions in the surety bond market, our bonding capacity becomes insufficient to satisfy our future bonding requirements, our business and results of operations could be adversely affected.

Some of our customers require letters of credit to secure our performance commitments. Our credit agreement provides for the issuance of letters of credit up to $85.0 million, and at March 31, 2011, we had $12.3 million of issued letters of credit outstanding. One of our major contracts allows the customer to require up to $50.0 million in letters of credit. If we were unable to provide letters of credit in the amount requested by this customer, we could lose business from such customer and our business and cash flow would be adversely affected. If our capacity to issue letters of credit under our revolving credit facility and our cash on hand is insufficient to satisfy our customer's requirements, our business and results of operations could be adversely affected.

- ***A significant amount of our revenue is generated by providing non-recurring services.***

More than 37% of our revenue for the year ended March 31, 2011 was derived from projects which we consider to be non-recurring. This revenue primarily relates to site preparation and piling services provided for the construction of extraction, upgrading and other oil sands mining infrastructure projects. There is no guarantee that the Company will find additional sources for generating non-recurring services revenue in fiscal 2012.

- ***Our customer base is concentrated, and the loss of or a significant reduction in business from a major customer could adversely impact our financial condition.***

Most of our revenue comes from the provision of services to a small number of major oil sands mining companies. Revenue from our five largest customers represented approximately 77%, 89% and 92% of our total revenue for the fiscal years ended March 31, 2011, 2010 and 2009, respectively, and those customers are expected to continue to account for a significant percentage of our revenues in the future. In addition, the majority of our Pipeline revenues in the previous fiscal years resulted from work performed for one customer. If we lose or experience a significant reduction of business or profit from one or more of our significant customers, we may not be able to replace the lost work or income with work or income from other customers. Our long-term contracts typically allow our customers to unilaterally reduce or eliminate the work which we are to perform under the contract. Our contracts also generally allow the customer to terminate the contract without cause and, in many cases, with minimal or no notice to us. Additionally, certain of these contracts provide for limited compensation following such suspension or termination of operations and we can provide no assurance that we could replace the lost work with work from other customers. The loss of or significant reduction in business with one or more of our major customers, whether as a result of the completion, early termination or suspension of a contract, or failure or inability to pay amounts owed to us, could have a material adverse effect on our business and results of operations.

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- ***We may not be able to generate sufficient cash flow to meet our debt service and other obligations due to events beyond our control.***

Our ability to generate sufficient operating cash flow to make scheduled payments on our indebtedness and meet other capital requirements will depend on our future operating and financial performance. Our future performance will be impacted by a range of economic, competitive and business factors that we cannot control, such as general economic and financial conditions in our industry or the economy generally.

A significant reduction in operating cash flows resulting from changes in economic conditions, increased competition, reduced work or other events could increase the need for additional or alternative sources of liquidity and could have a material adverse effect on our business, financial condition, results of operations, prospects and our ability to service our debt and other obligations. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as selling assets, restructuring or refinancing our indebtedness, seeking additional equity capital or reducing capital expenditures. We may not be able to affect any of these alternative strategies on satisfactory terms, if at all, or they may not yield sufficient funds to allow us to make required payments on our indebtedness.

- ***The terms of our debt agreements may restrict our current and future operations, particularly our ability to respond to changes in our business or take certain actions.***

Our credit agreement and the trust indenture governing our Series 1 Debentures limit, among other things, our ability and the ability of our subsidiaries to:

- incur or guarantee additional debt, issue certain equity securities or enter into sale and leaseback transactions;
- pay dividends or distributions on our shares or repurchase our shares, redeem subordinated debt or make other restricted payments;
- incur dividend or other payment restrictions affecting certain of our subsidiaries;
- issue equity securities of subsidiaries;
- make certain investments or acquisitions;
- create liens on our assets;
- enter into transactions with affiliates;
- consolidate, merge or transfer all or substantially all of our assets; and
- transfer or sell assets, including shares of our subsidiaries.

Our credit agreement also requires us, and our future credit agreements may require us, to maintain specified financial ratios and satisfy specified financial tests. Our ability to meet these financial ratios and tests can be affected by events beyond our control, and we may be unable to meet those tests.

As a result of these covenants, our ability to respond to changes in business and economic conditions and to obtain additional financing, if needed, may be significantly restricted, and we may be prevented from engaging in transactions that might otherwise be considered beneficial to us. The breach of any of these covenants could result in an event of default under our revolving credit facility or any future credit facilities or under the indenture governing our notes. Under our credit agreement, our failure to pay certain amounts when due to other creditors, including to certain equipment lessors would also result in an event of default. Upon the occurrence of an event of default under our revolving credit facility or future credit facilities, the lenders could elect to stop lending to us or declare all amounts outstanding under such credit facilities to be immediately due and payable. Similarly, upon the occurrence of an event of default under the trust indenture governing our Series 1 Debentures the outstanding principal and accrued interest on the notes may become immediately due and payable. If amounts outstanding under such credit agreements and the trust indenture were to be accelerated, or if we were not able to borrow under our revolving credit facility, we could become insolvent or be forced into insolvency proceedings and you could lose your investment in us.

- ***Aboriginal peoples may make claims against our customers or their projects regarding the lands on which customer projects are located.***

Aboriginal peoples have claimed aboriginal title and rights to a substantial portion of Western Canada. Any claims that may be asserted against our customers could have an adverse effect on our customers which may, in turn, negatively impact our business.

- ***Our projects expose us to potential professional liability, product liability, warranty or other claims.***

We install deep foundations, often in congested and densely populated areas, and provide construction management services for significant projects. Notwithstanding the fact that we generally will not accept liability for consequential damages in our contracts, any catastrophic occurrence in excess of insurance limits at projects where our structures are installed or services are performed could result in significant professional liability, product liability, warranty or other claims against us. Such liabilities could potentially exceed our current insurance coverage and the fees we derive from those services. A partially or completely uninsured claim, if successful and of a significant magnitude, could result in substantial losses.

- ***We may not be able to achieve the expected benefits from any future acquisitions, which would adversely affect our financial condition and results of operations.***

We intend to pursue selective acquisitions as a method of expanding our business. However, we may not be able to identify or successfully bid on businesses that we might find attractive. If we do find attractive acquisition opportunities, we might not be able to acquire these businesses at a reasonable price. If we do acquire other businesses, we might not be able to successfully integrate these businesses into our then-existing business. We might not be able to maintain the levels of operating efficiency that acquired companies will have achieved or might achieve separately. Successful integration of acquired operations will depend upon our ability to manage those operations and to eliminate redundant and excess costs. Because of difficulties in combining operations, we may not be able to achieve the cost savings and other size-related benefits that we hoped to achieve through these acquisitions. Any of these factors could harm our financial condition and results of operations.

### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign currency exchange rates and interest rates. The level of market risk to which we are exposed at any point in time varies depending on market conditions, expectations of future price or market rate movements and composition of our financial assets and liabilities held, non-trading physical assets and contract portfolios.

To manage the exposure related to changes in market risk, we use various risk management techniques including the use of derivative instruments. Such instruments may be used to establish a fixed price for a commodity, an interest-bearing obligation or a cash flow denominated in a foreign currency.

The sensitivities provided below are hypothetical and should not be considered to be predictive of future performance or indicative of earnings on these contracts.

**Foreign exchange risk**

Foreign exchange risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in foreign exchange rates. We regularly transact in foreign currencies when purchasing equipment and spare parts as well as certain general and administrative goods and services. These exposures are generally of a short-term nature and the impact of changes in exchange rates has not been significant in the past. We may fix our exposure in either the Canadian dollar or the US dollar for these short-term transactions, if material.

At March 31, 2011, with other variables unchanged, the impact of a $0.01 increase (decrease) in exchange rates of the Canadian dollar to the US dollar on short-term exposures would not have a significant impact to other comprehensive income.

**Interest rate risk**

We are exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows or the fair values of our financial instruments. Amounts outstanding under our amended credit facilities are subject to a floating rate. Our Series 1 Debentures are subject to a fixed rate. Our interest rate risk arises from long-term borrowings issued at fixed rates that create fair value interest rate risk and variable rate borrowings that create cash flow interest rate risk.

In some circumstances, floating rate funding may be used for short-term borrowings and other liquidity requirements. We may use derivative instruments to manage interest rate risk. We manage our interest rate risk exposure by using a mix of fixed and variable rate debt and may use derivative instruments to achieve the desired proportion of variable to fixed-rate debt.

At March 31, 2011, we held $72.0 million of floating rate debt pertaining to our Credit Facilities within our credit agreement (March 31, 2010 – $28.4 million). As at March 31, 2011, holding all other variables constant, a 100 basis point increase (decrease) to interest rates on floating rate debt would result in a $0.7 million increase (decrease) in effective annual interest costs. This assumes that the amount of floating rate debt remains unchanged from that which was held at March 31, 2011.

## H. GENERAL MATTERS

### ADDITIONAL INFORMATION

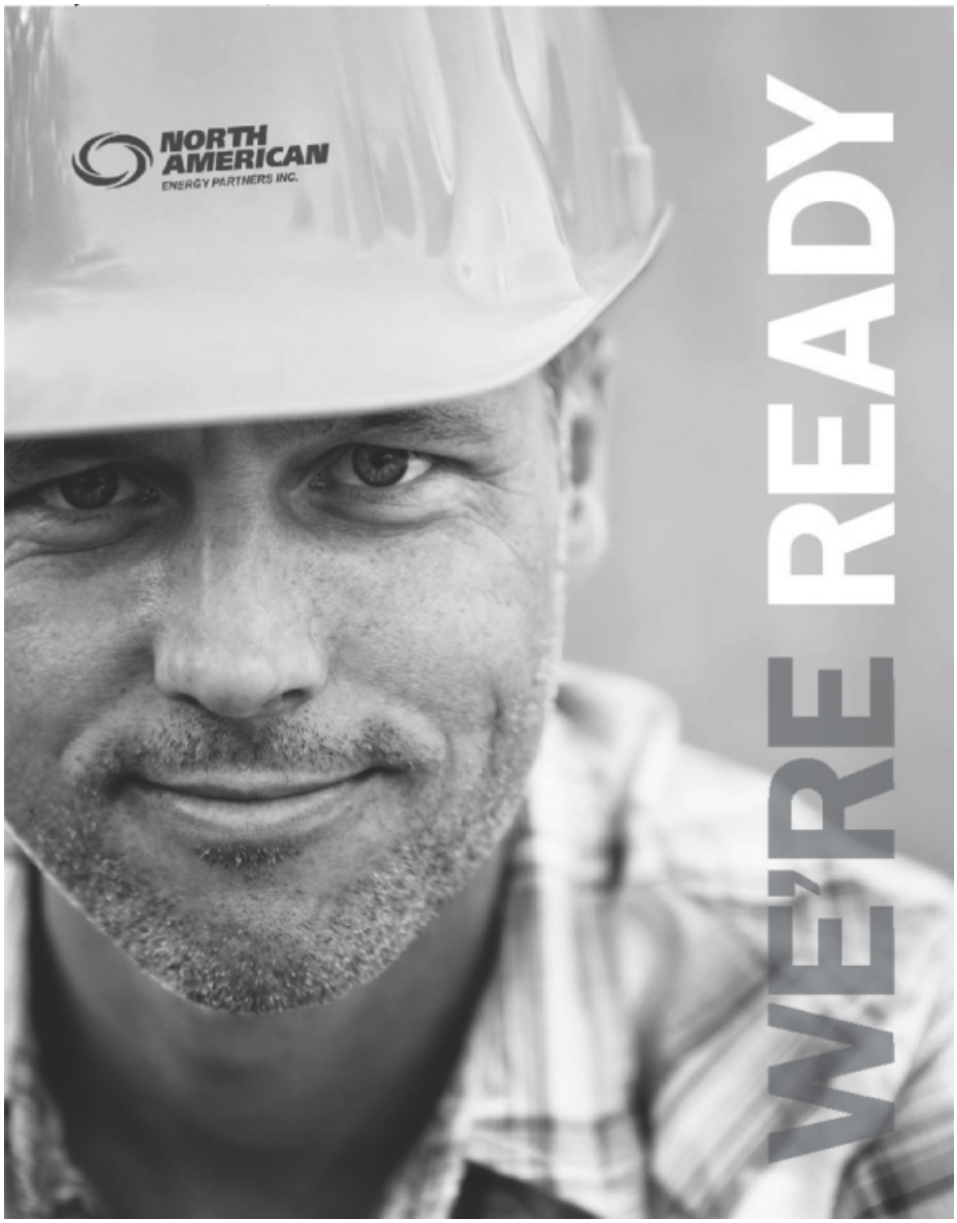
Our corporate office is located at Suite 2400, 500 4 th Avenue SW, Calgary, Alberta, T2P 2V6. Our corporate head office telephone and facsimile numbers are 403-767-4825 and 403-767-4849, respectively.

Additional information relating to us, including our Annual Information Form dated June 2, 2011, can be found on the Canadian Securities Administrators System for Electronic Document Analysis and Retrieval (SEDAR) database at www.sedar.com and the Securities and Exchange Commission's website at www.sec.gov.

**Exihibit 99.4**

# North American Energy Partners Inc.

**CANADIAN SUPPLEMENT TO:**
**Annual Management's Discussion and Analysis**
**For the year ended March 31, 2011**




**This document supplements the Management's Discussion and Analysis for the three months and year ended March 31, 2011 and has been prepared pursuant to Section 5.2 of National Instrument 51-102-Continuous Disclosure Obligations.**

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# North American Energy Partners Inc.

Canadian Supplement to Management's Discussion and Analysis
For the year ended March 31, 2011

June 2, 2011

**Summary of differences between US GAAP and Canadian GAAP**

The annual consolidated financial statements for the year ended March 31, 2011 and the accompanying annual Management's Discussion and Analysis (MD&A) have been prepared in accordance with United States (US) generally accepted accounting principles (GAAP). As required by National Instrument 52-107, for the fiscal year of adoption of US GAAP and one subsequent fiscal year, we are required to provide a Canadian Supplement to our MD&A that restates, based on financial information reconciled to Canadian GAAP, those parts of our MD&A that would contain material differences if they were based on financial statements prepared in accordance with Canadian GAAP. The Canadian Supplement to the MD&A should be read in conjunction with our annual financial statements and annual MD&A included in our annual report for the year ended March 31, 2011 prepared in accordance with US GAAP.

The material differences between US GAAP and Canadian GAAP on our financial position and results of operations for the year ended March 31, 2011 are explained and quantified in note 31 to our consolidated financial statements for the year ended March 31, 2011.

The "Consolidated Three Month Results" and "Consolidated Annual Results" tables in this supplement highlight the differences between Canadian and US GAAP. The tables in this supplement reporting the "Reconciliation of Net Income (Loss) to EBITDA and Consolidated EBITDA", "Non-Operating Income and Expense" and "Realized and Unrealized (Gain) Loss on Derivative Financial Instruments" for the three months and year ended March 31, 2011 and "Summary of Consolidated Quarterly Results" are prepared in accordance with Canadian GAAP. Amounts included in this supplement are in millions of Canadian dollars, except per share information and amounts included in the tables.

**Consolidated Three Month Results**

| (dollars in thousands, except per share information) | Three Months Ended March 31, 2011 (Canadian GAAP) | Adjustments | 2011 (US GAAP) | 2010 (Canadian GAAP) | Adjustments | 2010 (US GAAP) |
|---|---|---|---|---|---|---|
| **Revenue (e)** | **$176,599** | **$(2,089)** | **$174,510** | **$222,374** | **$(1,805)** | **$220,569** |
| Project costs (e) | 102,131 | (3,748) | 98,383 | 94,015 | (1,614) | 92,401 |
| Equipment costs | 64,753 | | 64,753 | 61,493 | | 61,493 |
| Equipment operating lease expense | 16,080 | | 16,080 | 22,009 | | 22,009 |
| Depreciation (a) | 12,654 | 28 | 12,682 | 11,912 | 31 | 11,943 |
| **Gross (loss) profit** | **(19,019)** | **1,631** | **(17,388)** | **32,945** | **(222)** | **32,723** |
| General and administrative expense (c) and (e) | 14,740 | (305) | 14,435 | 19,308 | (204) | 19,104 |
| Operating (loss) income | (35,724) | 272 | (35,452) | 12,959 | 168 | 13,127 |
| **Net loss** | **$(29,441)** | **$(1,011)** | **$(30,452)** | **$(2,963)** | **$2,020** | **$(943)** |
| Per share information | | | | | | |
| Net loss–basic | $(0.81) | $(0.03) | $(0.84) | $(0.08) | $0.05 | $(0.03) |
| Net loss–diluted | $(0.81) | $(0.03) | $(0.84) | $(0.08) | $0.05 | $(0.03) |
| EBITDA | $(18,374) | $(1,052) | $(19,426) | $18,157 | $2,757 | $20,914 |
| **Consolidated EBITDA (as defined within our credit agreement)** | **$23,871** | **$133** | **$24,004** | **$26,428** | **$ –** | **$26,428** |

**Consolidated Annual Results**

| (dollars in thousands, except per share information) | Year Ended March 31, 2011 (Canadian GAAP) | Adjustments | 2011 (US GAAP) | 2010 (Canadian GAAP) | Adjustments | 2010 (US GAAP) |
|---|---|---|---|---|---|---|
| **Revenue (e)** | **$864,146** | **$(6,098)** | **$858,048** | **$763,301** | **$(4,336)** | **$758,965** |
| Project costs (e) | 463,458 | (7,339) | 456,119 | 304,849 | (3,542) | 301,307 |
| Equipment costs | 234,933 | – | 234,933 | 209,408 | – | 209,408 |
| Equipment operating lease expense | 69,420 | – | 69,420 | 66,329 | – | 66,329 |
| Depreciation (a) | 39,329 | 111 | 39,440 | 42,512 | 124 | 42,636 |
| **Gross profit** | **57,006** | **1,130** | **58,136** | **140,203** | **(918)** | **139,285** |
| General and administrative expense (c) and (e) | 60,043 | (111) | 59,932 | 63,236 | (706) | 62,530 |
| Operating (loss) income | (10,056) | (773) | (10,829) | 72,811 | 663 | 73,474 |
| **Net (loss) income** | **$(25,686)** | **$(8,964)** | **$(34,650)** | **$29,174** | **$(955)** | **$28,219** |
| Per share information | | | | | | |
| Net (loss) income–basic | $(0.71) | $(0.25) | $(0.96) | $0.81 | $(0.03) | $0.78 |
| Net (loss) income–diluted | $(0.71) | $(0.25) | $(0.96) | $0.79 | $(0.02) | $0.77 |
| EBITDA | $41,927 | $(10,054) | $31,873 | $111,881 | $452 | $112,333 |
| **Consolidated EBITDA (as defined within our credit agreement)** | **$85,421** | **$(1,320)** | **$84,101** | **$121,644** | **$ –** | **$121,644** |

**Reconciliation of Net (Loss) Income to EBITDA and Consolidated EBITDA (Canadian GAAP)**

| (dollars in thousands) | Three Months Ended March 31, 2011 | 2010 |
|---|---|---|
| Net loss | $(29,441) | $(2,963) |
| Adjustments: | | |
| Interest expense | 7,086 | 5,709 |
| Income taxes (benefit) | (10,141) | 3,010 |
| Depreciation | 12,654 | 11,912 |
| Amortization of intangible assets | 1,468 | 489 |
| **EBITDA** | **$(18,374)** | **$18,157** |
| Adjustments: | | |
| Unrealized foreign exchange gain on 8 3/4% senior notes | – | (6,154) |
| Realized and unrealized (gain) loss on derivative financial instruments | (3,137) | 13,946 |
| Loss on disposal of property, plant and equipment and assets held for sale | 497 | 189 |
| Stock-based compensation expense | 516 | 268 |
| Equity in loss of unconsolidated joint venture | 1,844 | 22 |
| Revenue writedown on Canadian Natural project | 42,525 | – |
| **Consolidated EBITDA (as defined within our credit agreement)** | **$23,871** | **$26,428** |

| (dollars in thousands) | Year Ended March 31, 2011 | 2010 | 2009 |
|---|---|---|---|
| Net (loss) income | $(25,686) | $29,174 | $(137,877) |
| Adjustments: | | | |
| Interest expense | 28,798 | 23,594 | 27,450 |
| Income taxes (benefit) | (4,760) | 14,051 | 14,599 |
| Depreciation | 39,329 | 42,512 | 36,227 |
| Amortization of intangible assets | 4,246 | 2,550 | 2,338 |
| **EBITDA** | **$41,927** | **$111,881** | **$(57,263)** |
| Adjustments: | | | |
| Unrealized foreign exchange (gain) loss on 8 3/4% senior notes | – | (48,424) | 45,860 |
| Realized and unrealized (gain) loss on derivative financial instruments | (8,107) | 54,411 | (32,595) |
| Loss on disposal of property, plant and equipment and assets held for sale | 2,773 | 1,606 | 5,349 |
| Stock-based compensation expense | 2,144 | 2,214 | 1,895 |
| Equity in loss (earnings) of unconsolidated joint venture | 2,720 | (44) | – |
| Impairment of goodwill | – | – | 176,200 |
| Loss on debt extinguishment | 1,439 | – | – |
| Revenue writedown on Canadian Natural Project | 42,525 | – | – |
| **Consolidated EBITDA (as defined within our credit agreement)** | **$85,421** | **$121,644** | **$139,446** |

**Non-Operating Income and Expense (Canadian GAAP)**

| (dollars in thousands) | Three Months Ended March 31, 2011 | 2010 | Change |
|---|---|---|---|
| Interest expense | | | |
| Interest on 8 3/4% senior notes and swaps | $ – | $4,573 | $(4,573) |
| Interest on capital lease obligations | 144 | 227 | (83) |
| Amortization of deferred financing costs | 187 | 213 | (26) |
| Amortization of premium on Series 1 Debentures | (96) | – | (96) |
| Interest on credit facilities | 1,681 | 990 | 691 |
| Interest on Series 1 Debentures | 5,133 | – | 5,133 |
| Interest on long term debt | $7,049 | $6,003 | $1,046 |
| Other interest | 37 | (294) | 331 |
| Total interest expense | $7,086 | $5,709 | $1,377 |
| Foreign exchange loss (gain) | 31 | (5,925) | 5,956 |
| Realized and unrealized (gain) loss on derivative financial instruments | (3,137) | 13,946 | (17,083) |
| Other income | (122) | (818) | 696 |
| Income taxes (benefit) | (10,141) | 3,010 | (13,151) |

| (dollars in thousands) | Year Ended March 31 2011 | 2010 | Change |
|---|---|---|---|
| Interest expense | | | |
| Interest on 8 3/4% senior notes and swaps | $1,238 | $19,041 | $(17,803) |
| Interest on capital lease obligations | 689 | 1,032 | (343) |
| Amortization of deferred financing costs | 786 | 862 | (76) |
| Amortization of premium on Series 1 Debentures | (370) | – | (370) |
| Interest on credit facilities | 5,361 | 2,375 | 2,986 |
| Interest on Series 1 Debentures | 20,132 | – | 20,132 |
| Interest on long term debt | $27,836 | $23,310 | $4,526 |
| Other interest | 962 | 284 | 678 |
| Total interest expense | $28,798 | $23,594 | $5,204 |
| Foreign exchange gain | (1,659) | (48,405) | 46,746 |
| Realized and unrealized (gain) loss on derivative financial instruments | (8,107) | 54,411 | (62,518) |
| Loss on debt extinguishment | 1,462 | – | 1,462 |
| Other income | (104) | (14) | (90) |
| Income taxes (benefit) | (4,760) | 14,051 | (18,811) |

**Realized and Unrealized (Gain) Loss on Derivative Financial Instruments (Canadian GAAP)**

| (dollars in thousands) | Three Months Ended March 31, 2011 | 2010 | Change |
|---|---|---|---|
| Swap liability loss | $ – | $6,344 | $(6,344) |
| Redemption option embedded derivative loss on 8 3/4% senior notes | – | 2,602 | (2,602) |
| Redemption options embedded derivatives gain on the Series 1 Debentures | (1,172) | – | (1,172) |
| Supplier contracts embedded derivatives (gain) loss | (1,686) | 643 | (2,329) |
| Customer contract embedded derivative (gain) loss | (279) | 190 | (469) |
| Swap interest payment | – | 4,167 | (4,167) |
| Total | $(3,137) | $13,946 | $(17,083) |

| (dollars in thousands) | Year Ended March 31 2011 | 2010 | Change |
|---|---|---|---|
| Swap liability loss | $1,783 | $49,078 | $(47,295) |
| Redemption option embedded derivative gain on 8 3/4% senior notes | — | (3,716) | 3,716 |
| Redemption options embedded derivatives gain on the Series 1 Debentures | (5,802) | — | (5,802) |
| Supplier contracts embedded derivatives gain | (3,812) | (13,315) | 9,503 |
| Customer contract embedded derivative (gain) loss | (604) | 6,805 | (7,409) |
| Swap interest payment | 328 | 15,559 | (15,231) |
| Total | $(8,107) | $54,411 | $(62,518) |

**Summary of Consolidated Quarterly Results (Canadian GAAP)**

| (dollars in millions) | March 31, 2011 | Dec 31, 2010 | Sept 30, 2010 | June 30, 2010 | March 31, 2010 | Dec 31, 2009 | Sept 30, 2009 | June 30, 2009 |
|---|---|---|---|---|---|---|---|---|
| | | | | Fiscal 2011 | | | | Fiscal 2010 |
| **Revenue** | **$176.6** | **$266.1** | **$235.7** | **$185.8** | **$222.4** | **$222.7** | **$171.1** | **$147.1** |
| Gross (loss) profit | (19.0) | 30.9 | 29.3 | 15.8 | 32.9 | 48.1 | 33.7 | 25.5 |
| Operating (loss) income | (35.7) | 11.3 | 13.4 | 0.9 | 13.0 | 31.1 | 18.8 | 10.0 |
| **Net (loss) income** | **(29.4)** | **5.4** | **5.6** | **(7.3)** | **(3.0)** | **15.6** | **6.5** | **10.1** |
| Net (loss) income per share – Basic | $(0.81) | $0.15 | $0.16 | $(0.20) | $(0.08) | $0.43 | $0.18 | $0.28 |
| Net (loss) income per share – Diluted | $(0.81) | $0.15 | $0.15 | $(0.20) | $(0.08) | $0.43 | $0.18 | $0.28 |

**Canadian and United States accounting policies differences**

A detailed reconciliation of our results for the years ended March 31, 2011, 2010 and 2009 are included in note 31 to our consolidated financial statements for the years ended March 31, 2011, 2010 and 2009.

The differences between US GAAP and Canadian GAAP that have the most significant impact on our financial position and results of operations for the three months and year ended March 31, 2011, include accounting for: capitalization of interest, financing costs, discounts and premiums, derivative financial instruments and stock-based compensation.

*a) Capitalization of interest*

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

*b) Financing costs, discounts and premiums*

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

Effective April 1, 2007, we adopted CICA Handbook Section 3855, “Financial Instruments — Recognition and Measurement”, on a retrospective basis without restatement. Although Section 3855 also requires the use of the effective interest method to account for the amortization of finance costs, the requirement to bifurcate the issuer’s early prepayment option on issuance of debt (which is not required under US GAAP) resulted in an additional premium of $3.5 million on the Series 1 Debentures that is being amortized over the term of the Series 1 Debentures under Canadian GAAP. The same was being done on the extinguished 8 3/4% senior notes. The unamortized premium is disclosed as part of the carrying amount of the “Series 1 Debentures” in the Consolidated Balance Sheets. Foreign denominated transaction costs, discounts and premiums on the 8 3/4% senior notes were considered as part of the carrying value of the related financial liability under Canadian GAAP and were subject to foreign currency gains or losses resulting from periodic translation procedures as they were treated as a monetary item under Canadian GAAP. Under US GAAP, foreign denominated transaction costs are considered non-monetary and are not subject to foreign currency gains and losses resulting from periodic translation procedures. The unamortized discounts and premiums on the 8 3/4% senior notes were expensed on the settlement of the 8 3/4% senior notes under both Canadian and US GAAP with a difference of $2.9 million.

In connection with the adoption of Section 3855, transaction costs incurred in connection with our amended and restated credit agreement of $1.6 million were reclassified from deferred financing costs to intangible assets on April 1, 2007 under Canadian GAAP and these costs continued to be amortized on a straight-line basis over the term of the credit facilities. Under US GAAP, we continue to amortize these transaction costs over the stated term of the related facilities using the effective interest method. We disclose the unamortized deferred financing costs related to the Series 1 Debentures, the 8 3/4% senior notes and the credit facilities as “Deferred financing costs” on the Consolidated Balance Sheets (March 31, 2011—$7.7 million; March 31, 2010—$6.7 million) with the amortization charge classified as “Interest expense” on the Consolidated Statement of Operations and Comprehensive (Loss) Income. Under Canadian GAAP, the unamortized financing costs related to the Series 1 Debentures (March 31, 2011—$6.2 million) and the 8 3/4% senior notes (March 31, 2010—$1.5 million) are included in “Series 1 Debentures” and “8 3/4% senior notes” respectively whilst the unamortized deferred financing costs in connection with the credit facilities (March 31, 2011—$1.4 million; March 31, 2010—$1.1 million) are included in “Intangible assets” on the Consolidated Balance Sheets resulting in a Canadian and US GAAP presentation difference.

*c) Stock-based compensation*

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

On September 22, 2010, we modified a senior executive employment agreement to allow the option holder the right to settle options in cash which resulted in 550,000 stock options changing classification from equity to a long term liability. Under US GAAP, such modification is measured at fair value using a model such as Black-Scholes. Under Canadian GAAP, stock options that are cash settled are measured at the amount by which the quoted market value of the shares of our stock covered by the grant exceeds the option price. This resulted in a measurement difference between US and Canadian GAAP. At March 31, 2011, the liability under US GAAP was measured at $5.1 million of which $2.2 million was transferred from additional paid-in capital and the difference of $2.9 million was recognized as incremental compensation cost in the Consolidated Statements of Operations under General and administrative expense. Under Canadian GAAP, the liability was measured at $3.8 million resulting in a transfer of the same amount from additional paid-in capital and the difference of $1.6 million was recognized as incremental compensation cost.

*d) Derivative financial instruments*

Under Canadian GAAP, we determined that the issuer's early prepayment option included in the Series 1 Debentures of $3.9 million should be bifurcated from the host contract, along with a contingent embedded derivative liability of $0.4 million in the Series 1 Debentures that provide for accelerated redemption by the holders in certain instances (as defined in the trust indenture that governs the Series 1 Debentures). These embedded derivatives were measured at fair value at April 7, 2010, the inception date of the Series 1 Debentures and the residual amount of the proceeds was allocated to the debt. Changes in fair value of the embedded derivatives are recognized in net income and the carrying amount of the Series 1 Debentures is accreted to par value over the term of the Series 1 Debentures using the effective interest method and is recognized as interest expense as discussed in b) above. The same accounting treatment was used on the extinguished 8 3/4% senior notes.

Under US GAAP, ASC 815, "Derivatives and Hedging", establishes accounting and reporting standards requiring that every derivative instrument, including certain derivative instruments embedded in other contracts and debt instruments, be recorded on the balance sheet as either an asset or liability measured at its fair value. The contingent embedded derivative in the Series 1 Debentures that provides for accelerated redemption by the holders in certain instances (as defined in the trust indenture that governs the Series 1 Debentures) did not meet the criteria for bifurcation from the debt contract and separate measurement at fair value and was not bifurcated from the host contract and measured at fair value resulting in a US GAAP and Canadian GAAP difference. The contingent embedded derivative in the 8 3/4% senior notes that provide for accelerated redemption by the holders in certain instances met the criteria for bifurcation from the debt contract and separate measurement at fair value. The embedded derivative was measured at fair value and changes in fair value recorded in net income for all periods presented. The issuer's early prepayment option included in both the Series 1 Debentures (as defined in the trust indenture that governs the Series 1 Debentures) and the 8 3/4% senior notes did not meet the criteria as an embedded derivative under ASC 815 and was not bifurcated from the host contract resulting in a US GAAP and Canadian GAAP difference.

*e) Joint venture*

Under US GAAP, we record our share of earnings of the JV using the equity method of accounting. Under Canadian GAAP, we use the proportionate consolidation method of accounting for the JV. Under the proportionate consolidation method, we recognize our share of the results of operations, cash flows, and financial position of the JV on a line-by-line basis in our consolidated financial statements. While there is no impact on net income or earnings per share as a result of the US GAAP treatment of the joint venture, as compared to Canadian GAAP, there are presentation differences affecting the disclosures in the consolidated financial statements and supporting notes.

*f) Other matters*

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

**Management's Discussion and Analysis under US GAAP**

Please refer to our annual report for March 31, 2011 for our corresponding MD&A under US GAAP. The differences between US GAAP and Canadian GAAP, described above, affect the discussion and analysis in several sections of our annual MD&A.

**Additional information**

Additional information relating to our business, including our Annual Information Form (AIF) dated June 2, 2011, are available on the Canadian Securities Administrators' SEDAR System at www.sedar.com, the Securities and Exchange Commission's website at www.sec.gov and our company web site at www.nacg.ca.

**Exhibit 99.5**

**KPMG LLP**
**Chartered Accountants**
10125 – 102 Street
Edmonton AB T5J 3V8
Canada

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Fax (780) 429-7379
Internet www.kpmg.ca

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors of North American Energy Partners Inc.

We consent to:

— the inclusion in this annual report on Form 40-F our report dated June 2, 2011 on the consolidated balance sheets of North American Energy Partners Inc. as at March 31, 2011 and 2010 and the consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity and cash flows for each of the years in three-year period ended March 31, 2011, and

— the inclusion in this annual report on Form 40-F of our report dated June 2, 2011 on the effectiveness of internal control over financial reporting as of March 31, 2011.

KPMG LLP

Chartered Accountants

Edmonton, Canada
June 2, 2011

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.

**Exhibit 99.6**

**CERTIFICATION OF FORM 40-F**
**REQUIRED BY RULE 13a-14(a)**
**OR RULE 15D-14(a), PURSUANT TO SECTION 302**
**OF THE SARBANES–OXLEY ACT OF 2002**

I, Rodney J. Ruston, the President and Chief Executive Officer of North American Energy Partners Inc., certify that:

1. I have reviewed this annual report on Form 40-F for the fiscal year ended March 31, 2011 of North American Energy Partners Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: June 2, 2011

/S/ RODNEY J. RUSTON
Name: Rodney J. Ruston
Title: President and Chief Executive Officer

**Exhibit 99.7**

**CERTIFICATION OF FORM 40-F**
**REQUIRED BY RULE 13a-14(a)**
**OR RULE 15D-14(a), PURSUANT TO SECTION 302**
**OF THE SARBANES–OXLEY ACT OF 2002**

I, David Blackley, the Chief Financial Officer of North American Energy Partners Inc., certify that:

1. I have reviewed this annual report on Form 40-F for the fiscal year ended March 31, 2011 of North American Energy Partners Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: June 2, 2011

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

**Exhibit 99.8**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ENACTED PURSUANT TO**
**SECTION 906 OF THE SARBANES –OXLEY ACT OF 2002**

In connection with the Annual Report on Form 40-F for the fiscal year ended March 31, 2011 (the "Report") of North American Energy Partners Inc. (the "Company"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 2, 2011

/S/ RODNEY J. RUSTON
Name: Rodney J. Ruston
Title: President and Chief Executive Officer

**Exhibit 99.9**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ENACTED PURSUANT TO**
**SECTION 906 OF THE SARBANES –OXLEY ACT OF 2002**

In connection with the Annual Report on Form 40-F for the fiscal year ended March 31, 2011 (the "Report") of North American Energy Partners Inc. (the "Company"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 2, 2011

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