North American Energy Partners Inc.
Form F-1/A
July 31, 2007
Table of Contents

Index to Financial Statements

As filed with the Securities and Exchange Commission on July 31, 2007

Registration No. 333-144222

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 3

to

Form F-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

North American Energy Partners Inc.

(Exact name of registrant as specified in its charter)

Canada	**1629**	**Not Applicable**
(State or Other Jurisdiction of Incorporation or Organization)	***(Primary Standard Industrial Classification Code Number)***	***(I.R.S. Employer Identification Number)***

Zone 3, Acheson Industrial Area

2-53016 Highway 60

Acheson, Alberta T7X 5A7

(780) 960-7171
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Douglas A. Wilkes

Zone 3, Acheson Industrial Area

2-53016 Highway 60

Acheson, Alberta T7X 5A7

(780) 960-7171
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. ¨

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

Index to Financial Statements

The information in this prospectus is not complete and may be changed. The selling shareholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JULY 31, 2007

7,248,680 Shares

North American Energy Partners Inc.

Common Shares

The selling shareholders are selling 7,248,680 common shares. The underwriters have an option to purchase a maximum of 1,087,302 additional common shares from the selling shareholders to cover over-allotments. We will not receive any of the proceeds from the sale of common shares by the selling shareholders.

Our common shares are listed on the New York Stock Exchange and on the Toronto Stock Exchange under the symbol NOA. On July 30, 2007, the last reported sale price of our common shares on the New York Stock Exchange was US$17.55 per share and on the Toronto Stock Exchange was C$19.10 per share.

Investing in our common shares involves risks. See Risk Factors beginning on page 14.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to the Selling Shareholders
Per Share	US$	US$	US$
Total	US$	US$	US$

Delivery of the common shares will be made on or about , 2007.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse **UBS Investment Bank** **CIBC World Markets**

Jefferies & Company

The date of this prospectus is , 2007.

Table of Contents

Index to Financial Statements

TABLE OF CONTENTS

You should rely only on the information contained or incorporated by reference in this prospectus or to which we have referred you. We have not and the underwriters have not authorized anyone to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus may only be used where it is legal to sell these securities. The information in this prospectus may only be accurate on the date of this prospectus, and the information in the documents incorporated by reference in this prospectus may only be accurate as of the respective dates of those documents.

It is expected that delivery of the common shares will be made against payment therefor on or about the date specified on the cover of this prospectus, which is the fourth business day following the date of pricing of the shares (such settlement cycle being referred to as T+4). You should note that trading of the common shares on the date of this prospectus may be affected by the T+4 settlement. See Underwriting.

Table of Contents

Index to Financial Statements

PROSPECTUS SUMMARY

This summary highlights key information contained elsewhere in this prospectus. It does not contain all of the information that you should consider in making your investment decision. For a more complete understanding of us and this offering, you should read and consider the entire prospectus and the documents incorporated by reference in this prospectus, including the financial statements and notes to those financial statements included or incorporated by reference in this prospectus. Please read Risk Factors and Cautionary Note Regarding Forward-Looking Statements for more information about important risks you should consider before investing in our common shares. ***We state our financial statements in Canadian dollars. In this prospectus, references to Canadian dollars, dollars, C$ or $ are to the currency of Canada, and references to U.S. dollars or US$ are to the currency of the United States.***

Our Company

We are a leading resource services provider to major oil and natural gas and other natural resource companies, with a primary focus in the Canadian oil sands. We provide a wide range of mining and site preparation, piling and pipeline installation services to our customers across the entire lifecycle of their projects. We are the largest provider of contract mining services in the oil sands area, and we believe we are the largest piling foundations installer in western Canada. In addition, we believe that we operate the largest fleet of equipment of any contract resource services provider in the oil sands. Our total fleet includes 690 pieces of diversified heavy construction equipment supported by over 660 ancillary vehicles. While our expertise covers heavy earth moving, piling and pipeline installation in any location, we have a specific capability operating in the harsh climate and difficult terrain of the oil sands and northern Canada.

Our core market is the Canadian oil sands, where we generated 72% of our fiscal 2007 revenue. The oil sands are located in three regions of northern Alberta: Athabasca, Cold Lake and Peace River. Oil sands operators produce and process bitumen, which is the extremely heavy oil trapped in the sands. According to the Alberta Energy and Utilities Board, or EUB, Canada s oil sands are estimated to hold 315 billion barrels of ultimately recoverable oil reserves, with established reserves of almost 173 billion barrels as of the end of 2006, second only to Saudi Arabia and approximately six times the recoverable reserves in the United States. Approximately 32 billion barrels of the reserves in the oil sands are recoverable by open pit mining techniques. According to the Canadian Association of Petroleum Producers, or CAPP, oil sands production of bitumen is expected to increase from 1.1 million barrels per day, or bpd, in 2006 to approximately 3.0 million bpd by 2015 and account for 71% of total Canadian oil output, compared to 43% of output today. In order to achieve this increase in production, the Canadian National Energy Board, or NEB, estimates that approximately $95 billion of capital expenditures will be required over the period 2006 to 2015.

Our significant knowledge, experience, equipment capacity and scale of operations in the oil sands differentiates us from our competition. Our principal customers are the major operators in the oil sands, including all three of the producers that currently mine bitumen, being Syncrude Canada Ltd., Suncor Energy Inc. and Albian Sands Energy Inc. (a joint venture among Shell Canada Limited, Chevron Canada Limited and Western Oil Sands Inc.). Canadian Natural Resources Limited, or CNRL, another significant customer, is developing a bitumen-mining project in the oil sands. We provide services to every company in the oil sands that uses surface mining techniques for its production. We also provide site construction services for in-situ producers, which use horizontally drilled wells to inject steam into deposits and pump bitumen to the surface.

We have long-term relationships with most of our customers. For example, we have been providing services to Syncrude and Suncor since they pioneered oil sands development over 30 years ago. We believe our customers leases have an average remaining productive life of over 35 years. In addition, 34% of our revenues in fiscal 2007 were derived from recurring, long-term contracts, which assists in providing stability in our operations.

Table of Contents

Index to Financial Statements

We provide services to our customers through three primary segments:

- *Mining and Site Preparation.* Surface mining for oil sands and other natural resources; construction of infrastructure associated with mining operations and reclamation activities; clearing, stripping, excavating and grading for mining operations and industrial site construction for mega-projects; and underground utility installation for plant, refinery and commercial building construction;

- *Piling.* Installing all types of driven and drilled piles, caissons and earth retention and stabilization systems for industrial projects primarily focused in the oil sands; and

- *Pipeline Installation.* Installing transmission and distribution pipe made of various materials.

As a result of our extensive experience and expertise in the oil sands, we are often engaged at an early stage to help our customers plan and estimate costs to develop oil sands projects which may entail the expenditure of several billions of dollars over the three to four year life of project construction. We provide our customers with information about working in the oil sands, including details about the differential in the cost of undertaking various projects in the summer or the winter, constructability, equipment availability and requirements and availability of labor. Our early stage or first-in involvement in projects gives us the opportunity to demonstrate our capability and insight into our customers plans and schedules, thereby allowing us to achieve greater accuracy in forecasting our future equipment and labor needs.

For the year ended March 31, 2007, we had total revenue of $629.4 million and operating income of $51.1 million compared to total revenue of $492.2 million and operating income of $49.4 million for the year ended March 31, 2006. The following charts provide our revenues by segment and by end market for the year ended March 31, 2007:

2

Table of Contents

Index to Financial Statements

Our Competitive Strengths

Leading market position. We are the largest provider of contract mining services in the 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 working in the oil sands over 30 years ago. We believe the combination of our significant size, extensive experience and broad service offerings has allowed us to develop our leading market position and reputation as the service provider of choice in the oil sands.

Large, well-maintained equipment fleet strategically located in the Canadian oil sands. As of March 31, 2007, we had a heavy equipment fleet of over 370 units and over 290 ancillary vehicles located in the oil sands. Many of these 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 allows us to be responsive to our customers needs. We also operate four significant maintenance and repair centers on the sites of the major oil sands projects. These factors help us to be more efficient, while concurrently increasing our equipment utilization and thereby improving our profitability.

Broad service offering across a project s lifecycle. We provide our customers with resource services to meet their needs across the entire lifecycle of a project. Given the capital intensive and long-term nature of oil sands projects, our broad service offerings provide us with a competitive advantage and position us to transition from one stage of the project to the next, as we typically have knowledge of a project during its initial planning and budgeting phase. We use this knowledge to help secure contracts during the initial construction of the project as well as plan for recurring and follow-on work. As a result, we have a reputation as a first-in, last-out service provider.

Long-term customer relationships. We have worked successfully for many years and believe we have well-established relationships with major oil sands and conventional oil and gas producers. These relationships are based on our success in meeting our customers requirements, including strong safety and performance records, a well-maintained, highly capable fleet with specific equipment dedicated to individual customers and a staff of well-trained, experienced supervisors, operators and mechanics. Historically, our largest customers by revenue have included Syncrude, Suncor and Albian.

Experienced management team. Our management team has well-established relationships with major oil sands producers and other resource industry leaders in our core markets. We believe that our management team s experience in the resource services and mining industries enhances our ability to accomplish our strategic objectives.

Our Strategy

Capitalize on growth opportunities in the Canadian oil sands. We intend to leverage our market leadership position and successful track record with our customers in the oil sands to benefit from the expected rapid growth in this end market. The NEB estimates that between 2007 and 2015 $8.5 billion to $10.9 billion of annual capital expenditures will be required to achieve expected increases in production. To capitalize on these opportunities as they arise, we plan to continue to regularly add to our equipment fleet.

Leverage our complementary services. We intend to build on our first-in position to cross-sell other services that we provide. Our complementary service segments allow us to compete for many different forms of business. Given our technical capabilities, performance history and on-site presence, we are well positioned to compete for new business in our service segments. Unplanned work requirements frequently arise with little

Table of Contents

Index to Financial Statements

notice, which we are well-positioned to execute, given our on-site location and complementary service offerings. Furthermore, we intend to pursue selective acquisition growth opportunities that expand our complementary service offerings.

Increase our recurring revenue base. We provide services both during construction and while the project is in operation. Work required as an integral part of an operating project provides us with the opportunity to perform recurring services for our customers. Over the past several years we have increased our recurring revenues from mining services, from 20% of revenues in fiscal 2004 to 34% in fiscal 2007. Oil sands operators needs for these types of services will increase as they expand their operations and as new oil sands operations come on line.

Leverage long-term relationships with existing customers. Several of our oil sands customers have announced intentions to increase their production capacity by expanding the infrastructure at their sites. We intend to continue to build on our relationships with these and other existing oil sands customers to win a substantial share of the services outsourced in connection with these projects.

Increase our presence outside of the Canadian oil sands. Canada has significant reserves of various natural resources, including diamonds, uranium, coal and gold. We intend to utilize the expertise we have gained in the oil sands to provide similar services to other natural resource mining companies.

Enhance operating efficiencies to improve revenue and margins. We have initiated an operational improvement plan focused on implementing systems and process improvements, performance measurement techniques, enhanced communication and improved organizational effectiveness. This plan is designed to enhance our profitability, competitiveness and ability to effectively respond to opportunities in the markets we serve by improving the availability of our equipment.

Our Markets

Our business is primarily driven by the demand for our services from the development, expansion and operation of oil sands projects.

Canadian Oil Sands

Increasing global energy demand and improvements in mining and in-situ technology have resulted in a significant increase in Canadian oil sands investments. There are currently two main methods of oil sands extraction: open pit mining and in-situ. We currently provide most of our services to companies operating open pit mines to recover bitumen reserves. These customers utilize our services for surface mining, site preparation, piling, pipe installation, site maintenance, equipment and labor supply and land reclamation.

Outlook. According to the NEB, as of June 2006, there were 21 mining and upgrader projects in various stages, ranging from announcement to construction, with start-up dates through 2010. If all of these projects proceed as scheduled, the planned investment in new projects for 2006 through 2010 will exceed $38 billion and an additional $17 billion will be invested in project additions or existing projects over the same period. Oil sands production has grown four-fold since 1990 and exceeded one million barrels per day in 2005. CAPP expects oil sands production to reach approximately 3.0 million barrels per day and account for 71% of total Canadian oil production by 2015. Both the Canadian Energy Research Institute, or CERI, and the NEB have found that even at a price of approximately $25 per barrel the rate of oil sands supply can profitably double in the next 10 to 12 years.

Pipeline Infrastructure and Construction. To transport the increased production expected from the oil sands and to provide natural gas as an energy source to the oil sands region, significant investment will be required to

Table of Contents

Index to Financial Statements

expand pipeline capacity. To date, there have been significant greenfield and expansion projects announced. We are in various stages of discussions to provide services for some of these projects and believe we are well positioned to compete for these sizeable pipeline opportunities. For example, we have just completed negotiations with Kinder Morgan Canada for the supply of pipeline construction services described in this Summary under Recent Developments.

Conventional Oil and Gas

We provide services to conventional oil and gas producers, in addition to our work in the oil sands. The Canadian Energy Pipeline Association estimates that over $20 billion of pipeline investment in Canada will be required for the development of new long haul pipelines, feeder systems and other related pipeline construction. Conventional oil and gas producers require pipeline installation services in order to connect producing wells to nearby pipeline systems. Canadian natural gas production is expected to increase with the development of arctic gas reserves. A producer group led by Imperial Oil has been formed for the purpose of bidding for work on construction of a pipeline proposed from the MacKenzie River delta to existing natural gas pipelines in northern Alberta. We are actively working with Imperial Oil and have provided it with constructability and planning reviews.

Minerals Mining

According to the government agency Natural Resources Canada, Canada is also one of the largest mining nations in the world, producing more than 60 different minerals and metals. In 2006, the mining and minerals processing industries contributed $40 billion to the Canadian economy, an amount equal to approximately 3.7% of GDP. The value of minerals produced (excluding petroleum and natural gas) reached $33.6 billion in 2006.

According to Natural Resources Canada, the diamond mining industry has grown from 2.6 million carats of production in 2000 to an estimated 13.2 million carats of production in 2006, representing a compounded annual growth rate of approximately 38%, and establishing Canada as the third largest diamond producing country in the world by value. We believe Canadian diamond mining will continue to grow. Outside the oil sands, we have identified the growing Canadian diamond mining industry as a primary target for new business opportunities.

We intend to build on our core services and strong regional presence to capitalize on the opportunities in the minerals mining industries of Canada.

Commercial and Public Construction

According to the government agency Statistics Canada and the Alberta government, the Canadian commercial and public construction market was approximately $25 billion in 2006 and is expected to grow 3% annually through 2009. Western Canada has experienced and is expected to continue to experience strong economic and population growth. The Alberta government has responded to this growth by allocating approximately $18.2 billion to public facilities and infrastructure improvement and expansion projects from 2008 to 2010.

According to the Alberta government, as of May 2007, the inventory of planned commercial, retail and residential projects in Alberta was valued at approximately $14.1 billion. The 2010 Olympic Winter Games in British Columbia will require approximately $4.0 billion in infrastructure and construction spending. The significant resources and capital intensive nature of the core infrastructure and construction services required to meet these demands, along with our strong local presence and significant regional experience, position us to capitalize on the growing infrastructure demands of western Canada.

Table of Contents

Index to Financial Statements

Initial Public Offering and Reorganization

On November 28, 2006, NACG Holdings Inc. and its wholly-owned subsidiaries, NACG Preferred Corp. and North American Energy Partners Inc., amalgamated into one entity, North American Energy Partners Inc. Concurrently with the amalgamation, the amalgamated North American Energy Partners Inc. completed the initial public offering in the United States and Canada of its voting common shares, which are the common shares being offered by this prospectus. Prior to the amalgamation and initial public offering, NACG Holdings Inc. repurchased the Series A preferred shares issued by NACG Preferred Corp. for $27.0 million and the Series A preferred shares issued by the pre-amalgamated North American Energy Partners Inc. for their redemption value of $1.0 million, and each Series B preferred share issued by the pre-amalgamated North American Energy Partners Inc. was converted into 100 NACG Holdings Inc. common shares.

Recent Developments

Preliminary Unaudited Results for Quarter Ended June 30, 2007

Though our financial statements for the quarter ended June 30, 2007 are not yet complete, our preliminary internal financial information indicates that revenue for that quarter was between $160 million and $165 million, compared to $138 million for the same period in the prior year, and that gross profit for the quarter ended June 30, 2007 was between $16 million and $20 million, compared to $33 million for the same period in 2006. The increase in revenue is primarily the result of continued strong growth in the mining and site preparation and piling segments. The decrease in gross profit is primarily attributable to (1) recognition of revenue of $6.1 million in the quarter ended June 30, 2006 related to the settlement of a claim for which the associated expenses had been recognized in prior periods, (2) a single large job that had a significant positive effect on gross profit in the prior year period and (3) per hour equipment cost being higher than the prior year period primarily as a result of higher tire and rental costs. These preliminary results are subject to change and have not yet been reviewed by our external auditors. Further, developments subsequent to the end of a quarter can impact a reported quarter positively or negatively. Our financial results for the quarter ended June 30, 2007 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2008.

New Pipeline Contract

We have entered into a contract with Kinder Morgan Canada for the supply of pipeline construction services for the Anchor Loop phase of the TMX pipeline between Edmonton and Vancouver. We will begin mobilization soon, and construction is expected to begin in late summer of this year. Completion of this contract, valued at approximately $185 million to us, is expected in approximately 18 months.

Corporate Information

We were incorporated under the Canada Business Corporations Act in October 2003 in connection with the acquisition on November 26, 2003 (the Acquisition) of certain businesses from Norama Ltd., our predecessor company. See Business Our History. Our head office is located at Zone 3, Acheson Industrial Area, 2-53016 Highway 60, Acheson, Alberta, T7X 5A7, Canada, our registered office is located at 2700, 10155-102 Street, Edmonton, Alberta, T5J 4G8, Canada, and our telephone number is (780) 960-7171. Our website address is www.naepi.ca. **The information contained in or accessible through our website is not a part of this prospectus or the registration statement of which this prospectus forms a part.**

Table of Contents

Index to Financial Statements

The Offering

Common shares offered by the selling shareholders	7,248,680 shares (8,335,982 shares if the underwriters over-allotment option is fully exercised)
Common shares to be outstanding after this offering	35,752,060 shares
Common shares to be owned by the selling shareholders after this offering	8,284,098 shares (7,196,796 shares if the underwriters over-allotment option is fully exercised)
Use of proceeds	We will not receive any proceeds from the sale of shares by the selling shareholders.
New York Stock Exchange symbol	NOA
Toronto Stock Exchange symbol	NOA

Unless otherwise indicated, all information in this prospectus assumes the underwriters do not exercise their over-allotment option and references to the number of common shares to be outstanding after the completion of this offering are based on 35,752,060 shares outstanding on July 27, 2007 and do not include:

- 1,999,440 shares issuable upon exercise of outstanding stock options under our Amended and Restated 2004 Share Option Plan as of June 28, 2007; and

- 1,519,786 additional shares reserved for issuance under our Amended and Restated 2004 Share Option Plan.

Risk Factors

Investing in our common shares involves substantial risk. Please read Risk Factors beginning on page 14 for a discussion of certain factors you should consider in evaluating an investment in our common shares.

Table of Contents

Index to Financial Statements

Summary Consolidated Historical Financial Data

The summary consolidated historical financial data presented below as of and for the fiscal years ended March 31, 2007, 2006 and 2005 is derived from our audited consolidated financial statements included elsewhere in this prospectus. The information presented below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our audited consolidated financial statements and related notes included elsewhere in this prospectus. All of the financial information presented below has been prepared in accordance with Canadian GAAP, which differs in certain significant respects from U.S. GAAP. For a discussion of the principal differences between Canadian GAAP and U.S. GAAP as they pertain to us, see note 27 to our consolidated financial statements included elsewhere in this prospectus.

	Year Ended March 31,		
	2007	2006	2005
	(Dollars in thousands except per share amounts)		
Statement of operations data:			
Revenue	$ 629,446	$ 492,237	$ 357,323
Project costs	363,930	308,949	240,919
Equipment costs	122,306	64,832	52,831
Equipment operating lease expense	19,740	16,405	6,645
Depreciation	31,034	21,725	20,762
Gross profit	92,436	80,326	36,166
General and administrative costs	39,769	30,903	22,873
Loss (gain) on sale of plant and equipment	959	(733)	494
Amortization of intangible assets	582	730	3,368
Operating income before the undernoted	51,126	49,426	9,431
Interest expense (a)	37,249	68,776	31,141
Foreign exchange gain	(5,044)	(13,953)	(19,815)
Gain on repurchase of NACG Preferred Corp. Series A preferred shares (b)	(9,400)		
Loss on extinguishment of debt (b)	10,935	2,095	
Other income	(904)	(977)	(421)
Realized and unrealized (gain) loss on derivative financial instruments	(196)	14,689	43,113
Income (loss) before income taxes	18,486	(21,204)	(44,587)
Income taxes (benefit)	(2,593)	737	(2,264)
Net income (loss) (c)	$ 21,079	$ (21,941)	$ (42,323)
Earnings Per Share			
Basic	$ 0.87	$ (1.18)	$ (2.28)
Diluted	$ 0.83	$ (1.18)	$ (2.28)
Weighted average number of common shares			
Basic	24,352,156	18,574,800	18,539,720
Diluted	25,443,907	18,574,800	18,539,720
Balance sheet data (end of period):			
Cash	$ 7,895	$ 42,804	$ 17,924
Plant and equipment, net	255,963	184,562	177,089
Total assets	710,736	568,682	540,155
Total debt (d)	260,789	314,959	310,402
Other long-term financial liabilities (d)	60,863	141,179	86,723
Total long-term financial liabilities (d)	297,957	453,092	395,354
NACG Preferred Corp. Series A preferred shares (b)		35,000	35,000
Pre-amalgamated North American Energy Partners Inc. Series A preferred shares (b)		375	
Pre-amalgamated North American Energy Partners Inc. Series B preferred shares (b)		42,193	
Total shareholders equity (b)	244,278	18,111	38,829

Other financial data:			
EBITDA (e)	$ 87,351	$ 70,027	$ 10,684
Consolidated EBITDA (e)	90,235	72,422	34,448
Cash provided by (used in) operating activities	10,052	35,092	(5,673)
Cash used in investing activities	(107,972)	(23,396)	(24,215)
Cash provided by financing activities	63,011	13,184	11,217
Capital expenditures, net of capital leases	110,019	28,852	24,839

Table of Contents

Index to Financial Statements

(a) Interest expense consists of the following:

	Year Ended March 31,		
	2007	2006	2005
	(Dollars in thousands)		
Interest on senior notes	$ 27,417	$ 28,838	$ 23,189
Interest on capital lease obligations	725	457	230
Interest on senior secured credit facility		564	3,274
Interest on NACG Preferred Corp. Series A preferred shares	1,400		
Accretion and change in redemption value of pre-amalgamated North American Energy Partners Inc. Series B preferred shares	2,489	34,668	
Accretion of pre-amalgamated North American Energy Partners Inc. Series A preferred shares	625	54	
Interest on long-term debt	32,656	64,581	26,693
Amortization of deferred financing costs	3,436	3,338	2,554
Other interest	1,157	857	1,894
Interest expense	$ 37,249	$ 68,776	$ 31,141

(b) On November 28, 2006, prior to the consummation of our initial public offering discussed below, NACG Holdings Inc. amalgamated 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 voting common shares of the new entity, North American Energy Partners Inc., were the shares sold in the initial public offering.

On November 28, 2006, prior to the amalgamation:

NACG Holdings Inc. acquired the NACG Preferred Corp. Series A preferred shares with a carrying value of $35.0 million together with related accrued and subsequently forfeited dividends of $1.4 million in exchange for a promissory note in the amount of $27.0 million. We recorded a gain of $9.4 million on the repurchase of the NACG Preferred Corp. Series A preferred shares.

NACG Holdings Inc. repurchased the pre-amalgamated North American Energy Partners Inc. Series A preferred shares for their redemption value of $1.0 million. NACG Holdings Inc. also cancelled the consulting and advisory services agreement with The Sterling Group, L.P., Genstar Capital, L.P., Perry Strategic Capital Inc. and SF Holding Corp. (whom we refer to collectively as the sponsors), under which NACG Holdings Inc. had received ongoing consulting and advisory services with respect to the organization of the companies, employee benefit and compensation arrangements and other matters. The consideration paid for the cancellation of the consulting and advisory services agreement on the closing of the offering was $2.0 million, which was recorded as general and administrative expense in the consolidated statement of operations. Under the consulting and advisory services agreement, the sponsors also received a fee of $0.9 million, or 0.5% of the aggregate gross proceeds to us from the offering, which was recorded as a share issue cost.

Each holder of pre-amalgamated North American Energy Partners Inc. Series B preferred shares received 100 common shares of NACG Holdings Inc. for each pre-amalgamated North American Energy Partners Inc. Series B preferred share held as a result of NACG Holdings Inc. exercising a call option to acquire the pre-amalgamated North American Energy Partners Inc. Series B preferred shares. Upon exchange, the carrying value in the amount of $44.7 million for the pre-amalgamated North American Energy Partners Inc. Series B preferred shares on the exercise date was transferred to share capital.

On November 28, 2006, we completed our initial public offering of 8,750,000 common voting shares for total gross proceeds of $158.6 million. Net proceeds from our initial public offering, after deducting underwriting fees and offering expenses, were $140.9 million. Subsequent to our initial public offering, the underwriters exercised their over-allotment option to purchase 687,500 additional voting common shares for gross proceeds of $12.6 million. Net proceeds from the over-allotment, after deducting underwriting fees and offering expenses, were $11.7 million. Total net proceeds from our initial public offering and subsequent over-allotment were $152.6 million.

Table of Contents

Index to Financial Statements

The net proceeds from our initial public offering and subsequent over-allotment were used:

to repurchase all of our outstanding 9% senior secured notes due 2010 for $74.7 million plus accrued interest of $3.0 million. The notes were redeemed at a premium of 109.26% resulting in a loss on extinguishment of $6.3 million. The loss on extinguishment, along with the write-off of deferred financing fees of $4.3 million and other costs of $0.3 million, was recorded as a loss on extinguishment of debt in the consolidated statement of operations;

to repay the promissory note in respect of the repurchase of the NACG Preferred Corp. Series A preferred shares for $27.0 million as described above;

to purchase certain equipment leased under operating leases for $44.6 million;

to cancel the consulting and advisory services agreement with the sponsors for $2.0 million; and

$1.3 million for working capital and general corporate purposes.

(c) Our financial statements have been prepared in accordance with Canadian GAAP, which differs in certain respects from U.S. GAAP. If U.S. GAAP were employed, our net income (loss) would be adjusted as follows:

	Year Ended March 31,		
	2007	2006	2005
	(Dollars in thousands, except per share amounts)		
Net income (loss) Canadian GAAP	$ 21,079	$ (21,941)	$ (42,323)
Capitalized interest(1)	249	847	
Depreciation of capitalized interest(1)	(143)		
Amortization using effective interest method(2)	1,246	590	
Realized and unrealized loss on derivative financial instruments(3)	348	(484)	
Difference between accretion of Series B Preferred Shares(4)	249		
Income (loss) before income taxes	23,028	(20,988)	(42,323)
Income taxes: Deferred income taxes	(954)		
Net income (loss) U.S. GAAP	$ 22,074	$ (20,988)	$ (42,323)
Net income (loss) per share Basic U.S. GAAP	$ 0.91	$ (1.13)	$ (2.28)
Net income (loss) per share Diluted U.S. GAAP	$ 0.87	$ (1.13)	$ (2.28)

The cumulative effect of material differences between Canadian and U.S. GAAP on the consolidated shareholders equity is as follows:

	March 31, 2007	March 31, 2006	March 31, 2005
	(Dollars in thousands)		
Shareholders equity (as reported) Canadian GAAP	$ 244,278	$ 18,111	$ 38,829

Capitalized interest(1)	1,096	847	
Depreciation of capitalized interest(1)	(143)		
Amortization using effective interest method(2)	1,836	590	
Realized and unrealized loss on derivative financial instruments(3)	(136)	(484)	
Excess of fair value of amended Series B preferred shares over carrying value of original series B preferred shares(4)		(3,707)	
Deferred income taxes	(954)		
Shareholders equity U.S. GAAP	$ 245,977	$ 15,357	$ 38,829

(1) U.S. 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. Accordingly, the capitalized amount is subject to depreciation in accordance with our policies when the asset is available for service.

(2) Under Canadian GAAP, we defer and amortize debt issue costs on a straight-line basis over the stated term of the related debt. Under U.S. GAAP, we are required to amortize financing costs over the stated term of the related debt using the effective interest method resulting in a consistent interest rate over the term of the debt in accordance with Accounting Principles Board Opinion No. 21 (APB 21).

Table of Contents

Index to Financial Statements

(3) Statement of Financial Accounting Standard No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133) establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts and debt instruments) be recorded in the balance sheet as either an asset or liability measured at its fair value. On November 26, 2003, we issued 8 3/4% senior notes for US$200 million (C$263 million). On May 19, 2005, we issued 9% senior secured notes for US$60.4 million (C$76.3 million), subsequently retired on November 28, 2006. Both of these issues included certain contingent embedded derivatives which provided for the acceleration of redemption by the holder at a premium in certain instances. These embedded derivatives met the criteria for bifurcation from the debt contract and separate measurement at fair value. The embedded derivatives have been measured at fair value and classified as part of the carrying amount of the Senior Notes on the consolidated balance sheet, with changes in the fair value being recorded in net income as realized and unrealized (gain) loss on derivative financial instruments for the period under U.S. GAAP. Under Canadian GAAP, separate accounting of embedded derivatives from the host contract is not permitted by EIC-117.

(4) Prior to the modification of the terms of the pre-amalgamated North American Energy Partners Inc. Series B preferred shares, there were no differences between Canadian GAAP and U.S. GAAP related to the pre-amalgamated North American Energy Partners Inc. Series B preferred shares. As a result of the modification of terms of the pre-amalgamated North American Energy Partners Inc. s Series B preferred shares on March 30, 2006, under Canadian GAAP, we continued to classify the pre-amalgamated North American Energy Partners Inc. 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 U.S. GAAP, we recognized the fair value of the amended pre-amalgamated North American Energy Partners Inc. Series B preferred shares as minority interest as such amount was recognized as temporary equity in the accounts of the pre-amalgamated North American Energy Partners Inc. in accordance with EITF Topic D-98 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 U.S. GAAP, we were accreting the initial fair value of the amended pre-amalgamated North American Energy Partners Inc. 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 pre-amalgamated North American Energy Partners Inc. Series B preferred shares as temporary equity in the financial statements of the pre-amalgamated North American Energy Partners Inc. The accretion charge was recognized as a charge to minority interest (as opposed to retained earnings in the accounts of the pre-amalgamated North American Energy Partners Inc.) under U.S. GAAP and interest expense in our financial statements under Canadian GAAP. On November 28, 2006, we exercised a call option to acquire all of the issued and outstanding Series B preferred shares of the pre-amalgamated North American Energy Partners Inc. in exchange for 7,524,400 of our common shares. For Canadian GAAP purposes, we recorded the exchange by transferring the carrying value of the Series B preferred shares of the pre-amalgamated North American Energy Partners Inc. on the exercise date of $44.7 million to common shares. For U.S. GAAP purposes, the conversion has been accounted for as a combination of entities under common control as all of the shareholders of the Series B preferred shares of the pre-amalgamated North American Energy Partners Inc. were also our common shareholders resulting in the reclassification of the carrying value of the minority interest on the exercise date of $48.1 million to common shares.

(d) Total debt as of March 31, 2007 consists of the following (in thousands):

Revolving line of credit	$ 20,500
Obligations under capital leases, including current portion	9,709
8 3/4% senior notes due 2011	230,580
Total debt	$ 260,789

Table of Contents

Index to Financial Statements

Our 8 3/4% senior notes are stated at the current exchange rate at each balance sheet date. We have entered into cross-currency and interest rate swaps, which represent an economic hedge of the 8 3/4% senior notes. At maturity, we will be required to pay $263 million in order to retire these senior notes and the swaps. This amount reflects the fixed exchange rate of C$1.315=US$1.00 established as of November 26, 2003, the date of inception of the swap contracts.

Other long-term financial liabilities consist of derivative financial instruments and redeemable preferred shares.

Total long-term financial liabilities consists of total debt, excluding current portion, plus our redeemable shares and derivative financial instruments.

(e) EBITDA is calculated as net income (loss) before interest expense, income taxes, depreciation and amortization. Consolidated EBITDA is defined as EBITDA, excluding the effects of 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 and certain other non-cash items included in the calculation of net income (loss). 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 capital assets are being allocated efficiently. In addition, our revolving credit facility requires us to maintain a minimum interest coverage ratio and a maximum senior leverage ratio, which are calculated using Consolidated EBITDA. Non-compliance with these financial covenants could result in our being required to immediately repay all amounts outstanding under our revolving credit facility. EBITDA and Consolidated EBITDA are not measures of performance under Canadian GAAP or U.S. GAAP and our computations of EBITDA and Consolidated EBITDA may vary from others in our industry. EBITDA and Consolidated EBITDA should not be considered as alternatives to operating income or net income as measures of operating performance or cash flows as measures of liquidity. EBITDA and Consolidated EBITDA have important limitations as analytical tools, and you should not consider them in isolation, or as substitutes for analysis of our results as reported under Canadian GAAP or U.S. GAAP. For example, EBITDA and Consolidated EBITDA:

- do not reflect our cash expenditures or requirements for capital expenditures or capital commitments;
- do not reflect changes in, or cash requirements for, our working capital needs;
- do not reflect the interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- exclude tax payments that represent a reduction in cash available to us; and
- do not reflect any cash requirements for assets being depreciated and amortized that may have to be replaced in the future.

In addition, Consolidated EBITDA excludes unrealized foreign exchange gains and losses and unrealized and realized 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.

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

	Year Ended March 31,		
	2007	2006	2005
	(Dollars in thousands)		

Net income (loss)	$ 21,079	$ (21,941)	$ (42,323)
Adjustments:			
Interest expense	37,249	68,776	31,141
Income taxes (benefit)	(2,593)	737	(2,264)
Depreciation	31,034	21,725	20,762
Amortization of intangible assets	582	730	3,368
EBITDA	$ 87,351	$ 70,027	$ 10,684

Table of Contents

Index to Financial Statements

A reconciliation of EBITDA to Consolidated EBITDA is as follows:

	Year Ended March 31,		
	2007	2006	2005
	(Dollars in thousands)		
EBITDA	$ 87,351	$ 70,027	$ 10,684
Adjustments:			
Unrealized foreign exchange gain on senior notes	(5,017)	(14,258)	(20,340)
Realized and unrealized (gain) loss on derivative financial instruments	(196)	14,689	43,113
Loss (gain) on disposal of plant and equipment	959	(733)	494
Stock-based compensation expense	2,101	923	497
Write-off of deferred financing costs	4,342	1,774	
Write down of other assets to replacement cost	695		
Consolidated EBITDA	$ 90,235	$ 72,422	$ 34,448

Table of Contents

Index to Financial Statements

RISK FACTORS

An investment in our common shares entails a high degree of risk. You should carefully consider the following risk factors and the matters identified under Cautionary Note Regarding Forward-Looking Statements and other information included or incorporated by reference in this prospectus before deciding to purchase our common shares. If any of those matters or the events underlying these risks actually occur, our business, financial condition and results of operations could be materially adversely affected and you may lose all or part of your investment.

Risks Related to Our Business

Anticipated major projects in the oil sands may not materialize.

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

- 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 to support growth;
- 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 projects, which would, in turn, reduce our revenue from those customers.

Due to the amount of capital investment required to build an oil sands project, or construct a significant 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 project will produce, the anticipated amount of capital investment required and the anticipated 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 favorable, or believe oil sands projects are not viable for any other reason, they may delay, reduce or cancel plans to construct new oil sands projects or expansions to existing projects. Delays, reductions or cancellations of major oil sands projects could have a material adverse impact on our financial condition and results of operations.

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 the 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

14

Table of Contents

Index to Financial Statements

increases do not materialize, whether due to inadequate economics for the sponsors of such projects, shortages of labor 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.

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 government 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 intervened in two recent hearings considering applications by major oil sands companies to the EUB for approval to expand their operations. Similar action could be taken with respect to any future applications. The EUB has issued conditional approval for the expansion in respect of one of the hearings despite the intervention by the local government authority, and a decision in the second hearing is pending. The EUB 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 canceled which could in turn adversely affect our prospects and could have a material adverse impact on our financial condition and results of operations.

Shortages of qualified personnel or significant labor disputes could adversely affect our business.

Alberta, and in particular the oil sands area, has had and continues to have a shortage of skilled labor and other qualified personnel. New mining projects in the area will only make it more difficult for us and our customers to find and hire all the employees required to work on these projects. We are continuously exploring innovative ways to hire the people we need, which include more project managers, trades people and other skilled employees. We have expanded our efforts to find qualified candidates outside of Canada who might relocate to our area. In addition, we have undertaken more extensive training of existing employees and we are enhancing our use of technology and developing programs to provide better working conditions. We believe the labor shortage, which affects us and all of our major customers, will continue to be a challenge for everyone in the mining and oil and gas industries in western Canada for the foreseeable future. If we are not able to recruit and retain enough employees with the appropriate skills, we may be unable to maintain our customer service levels, and we may not be able to satisfy any 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 oil sands area.

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 labor disruption experienced by our key customers could significantly reduce the amount of our services that they need.

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.

Our ability to grow our operations in the future may be hampered by our inability to obtain long lead time equipment and tires, which are currently in limited supply.

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, we must 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.

Global demand for tires of the size and specifications we require is exceeding the available supply. For example, two of our trucks are currently not in service because we cannot get tires for these particular trucks. We expect the supply/demand imbalance for certain tires to continue for several years. 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.

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 65%, 70% and 68% of our total revenue for the fiscal years ended March 31, 2007, 2006 and 2005, 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 prior fiscal years resulted from work performed for one customer. If we lose or experience a significant reduction of business from one or more of our significant customers, we may not be able to replace the lost work with work 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 generally allow the customer to terminate the contract without cause. The loss of or significant reduction in business with one or more of our major customers, whether as a result of completion of a contract, early termination or failure or inability to pay amounts owed to us, could have a material adverse effect on our business and results of operations.

Because most of our customers are Canadian energy companies, a downturn in the Canadian energy industry 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 could cause our customers to slow down or curtail their current production and future expansions which would, in turn, reduce our revenue from those customers. Such a delay or curtailment could have a material adverse impact on our financial condition and results of operations.

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

Approximately 66%, 58% and 51% of our revenue for the fiscal years ended March 31, 2007, 2006 and 2005, respectively, was derived from lump-sum and unit-price contracts. See Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Revenue Recognition. 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 beyond our

Table of Contents

Index to Financial Statements

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;
- unfavorable weather conditions hindering productivity;
- inability or failure of our customers to perform their contractual commitments;
- equipment availability and 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 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. For example, on a major site preparation and underground installation contract in fiscal 2005, a combination of unfavorable weather conditions hindering productivity, higher than expected costs due to labor shortages, schedule acceleration and higher than expected costs resulting from underestimation of the project s complexity at the time the contract bid was prepared led to significant cost overruns. This had a significant impact on our operations in our 2005 and 2006 fiscal years. See Management s Discussion and Analysis of Financial Condition and Results of Operations Consolidated Financial Highlights Fiscal Year Ended March 31, 2006 Compared to Fiscal Year Ended March 31, 2005. More recently, our Pipeline segment incurred a loss of $11.5 million on three unit-price contracts in fiscal 2007. The losses were caused primarily by increased costs associated with increased scope and condition changes not recovered from our clients. See Management s Discussion and Analysis of Financial Condition and Results of Operations Segment Operations Pipeline Fiscal Year Ended March 31, 2007 Compared to Fiscal Year Ended March 31, 2006.

Until we establish and maintain effective internal controls over financial reporting, we cannot assure you that we will have appropriate procedures in place to eliminate future financial reporting inaccuracies and avoid delays in financial reporting.

We have had continuing problems providing accurate and timely financial information and reports and restated the pre-amalgamated North American Energy Partners Inc. s financial statements three times since the beginning of our 2005 fiscal year, in two cases due to ineffective internal controls:

- As a result of the discovery of a number of invoices recorded in the third fiscal quarter which related to costs actually incurred in the first and second quarters of fiscal 2005, management conducted a review of our accounts and balances. The review identified a number of deficiencies in our processes and internal controls that contributed to several misstated amounts in the interim consolidated financial statements for the quarters ended June 30, 2004 and September 30, 2004. These deficiencies included the failure to accrue in a timely manner the costs of unprocessed accounts payable invoices, improper expensing of certain equipment costs and errors in revenue recognition under certain cost-plus and time-and-materials contracts. We restated these quarters in April of 2005, after which we made a late filing of the December 31, 2004 financial statements.

After issuing the financial statements for the quarter ended June 30, 2005, we determined that the values of the Series A and Series B preferred shares issued in May 2005 were incorrectly measured and reported on the balance sheet. We also determined that $5.3 million of financing costs incurred in connection with the issuance of our 9% senior secured notes and the establishment of our revolving

Table of Contents

Index to Financial Statements

credit facility on May 2005 were inappropriately expensed. We restated the June 30, 2005 financial statements in November of 2005, after which we made a late filing of the September 30, 2005 financial statements.

Each of these restatements resulted in our inability to file the pre-amalgamated North American Energy Partners Inc. s financial statements within the deadlines imposed by covenants in the indentures governing our 8 3/4% senior notes and 9% senior secured notes.

In the course of preparing our fiscal 2007 financial statements, we identified a number of material weaknesses in our internal control over financial reporting. See Management s Discussion and Analysis of Financial Condition and Results of Operations Internal Control over Financial Reporting. Until we establish and maintain effective internal controls and procedures for financial reporting, we may not have appropriate measures in place to eliminate financial statement inaccuracies and avoid delays in financial reporting, which could cause investors to lose confidence in our financial statements and the trading price of our common shares could be adversely affected.

If, as of the end of our 2008 fiscal year, we are unable to assert, or our auditors are unable to attest, that our internal control over financial reporting is effective, investors could lose confidence in our reported financial information, and the trading price of our common shares and our business could be adversely affected.

We are in the process of documenting, and plan to test our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act, commencing with our year ending March 31, 2008. Effective March 31, 2008, the Sarbanes-Oxley Act requires an annual assessment by management of the effectiveness of internal control over financial reporting and an attestation report by independent auditors on the effectiveness of internal control over financial reporting. We cannot be certain that we will be able to comply with all of our reporting obligations and successfully complete the procedures, certification and attestation requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner. During the course of our testing we may identify deficiencies that we may not be able to remedy in time to meet the deadline imposed by the Sarbanes-Oxley Act for compliance with the requirements of Section 404. Effective internal control over financial reporting is important to help produce reliable financial reports and to prevent financial fraud. If, as of the end of our 2008 fiscal year, we are unable to assert that our internal control over financial reporting is effective or if our independent auditors are unable to attest that our internal control over financial reporting is effective, we could be subject to heightened regulatory scrutiny, investors could lose confidence in our reported financial information and the trading price of our common shares and our ability to maintain confidence in our business could be adversely affected.

Our substantial debt could adversely affect us, make us more vulnerable to adverse economic or industry conditions and prevent us from fulfilling our debt obligations.

We have a substantial amount of debt outstanding and significant debt service requirements. As of March 31, 2007, we had outstanding approximately $260.8 million of debt, including approximately $9.7 million of capital leases. We also had cross-currency and interest rate swaps with a balance sheet liability of $60.9 million as of March 31, 2007. These swaps are secured equally and ratably with our revolving credit facility. We also had $25.0 million of outstanding, undrawn letters of credit, which reduce the amount of available borrowings under our revolving credit facility. Our substantial indebtedness could have serious consequences, such as:

- limiting our ability to obtain additional financing to fund our working capital, capital expenditures, debt service requirements, potential growth or other purposes;
- limiting our ability to use operating cash flow in other areas of our business;
- limiting our ability to post surety bonds required by some of our customers;

Table of Contents

Index to Financial Statements

- placing us at a competitive disadvantage compared to competitors with less debt;
- increasing our vulnerability to, and reducing our flexibility in planning for, adverse changes in economic, industry and competitive conditions; and
- increasing 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.

The potential consequences of our substantial indebtedness make us more vulnerable to defaults and place us at a competitive disadvantage. 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.

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 revolving credit facility and the indenture governing our notes 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 revolving credit facility and some of our equipment lease programs also require us, and our future credit facilities may require us, to maintain specified financial ratios and satisfy specified financial tests, some of which become more restrictive over time. 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 revolving credit facility, our failure to pay certain amounts when due to other creditors, including to certain equipment lessors, or the acceleration of such other indebtedness, 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 indenture governing our notes, the outstanding principal and accrued interest on the notes may become immediately due and payable. If amounts outstanding under such credit facilities and 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.

Between March 31, 2004 and May 19, 2005, it was necessary to obtain a series of waivers and amend our then-existing credit agreement to avoid or to cure our default of various covenants contained in that credit

Table of Contents

Index to Financial Statements

agreement. We ultimately replaced that credit agreement with a new credit agreement on May 19, 2005, which was amended and restated on July 19, 2006, which was subsequently amended and restated as of June 7, 2007.

Our inability to file the pre-amalgamated North American Energy Partners financial statements for the periods ended December 31, 2004, March 31, 2005 and September 30, 2005 with the SEC within the deadlines imposed by the regulators caused us to be out of compliance with the covenants in the indentures governing our 8 3/4% senior notes and our 9% senior secured notes (the latter indenture having been subsequently repaid and terminated on November 28, 2006). In each case, we filed these financial statements before the lack of compliance became an event of default under the indentures.

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

For 2005, we had negative operating cash flow of $5.7 million. 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 effect any of these alternative strategies on satisfactory terms, if at all, or they may not yield sufficient funds to make required payments on our indebtedness.

Currency rate fluctuations could adversely affect our ability to repay our 8 3/4% senior notes and may affect the cost of goods we purchase.

We have entered into cross-currency and interest rate swaps that represent economic hedges of our 8 3/4% senior notes, which are denominated in U.S. dollars. The current exchange rate between the Canadian and U.S. dollars as compared to the rate implicit in the swap agreement has resulted in a large liability on the balance sheet under the caption derivative financial instruments. If the Canadian dollar increases in value or remains at its current value against the U.S. dollar and we repay the 8 3/4% senior notes prior to their maturity in 2011, we will have to pay this liability.

Exchange rate fluctuations may also cause the price of goods to increase or decrease for us. For example, a decrease in the value of the Canadian dollar compared to the U.S. dollar would proportionately increase the cost of equipment which is sold to us or priced in U.S. dollars. Between January 1, 2007 and May 31, 2007, the Canadian dollar/U.S. dollar exchange rate varied from a high of 1.1853 Canadian dollars per U.S. dollar to a low of 1.0701 Canadian dollars per U.S. dollar.

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 reevaluate their committed levels of underwriting and required returns. If for any reason, whether because of our financial condition, our

Table of Contents

Index to Financial Statements

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 second amended and restated revolving credit facility provides for revolving loans and the issuance of letters of credit up to $125.0 million. One of our major contracts allows the customer to require up to $50.0 million in letters of credit, and at March 31, 2007, we had provided $25.0 million in letters of credit in connection with this contract. 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 are insufficient to satisfy our customers, our business and results of operations could be adversely affected.

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

Outsourced mining and site preparation services constitute a large portion of the work we perform for our customers. For example, our mining and site preparation project revenues constituted approximately 74% to 75% of our revenues in each of the fiscal years ended March 31, 2005, 2006 and 2007. 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.

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

Because our operations are located in western Canada and northern Ontario, we are often subject to extreme weather conditions. While our operations are not significantly affected by normal seasonal weather patterns, extreme weather, including heavy rain and snow, can cause delays in our project work, which could adversely impact our results of operations.

We are dependent on our ability to lease equipment, and a tightening of this form of credit could adversely affect our ability to bid for new work and/or supply some of our existing contracts.

A portion of our equipment fleet is currently leased from third parties. Further, we anticipate leasing substantial amounts of equipment to perform the work on contracts for which we have been engaged in the upcoming year, particularly the overburden removal contract with CNRL. Other future projects may require us to lease additional equipment. If equipment lessors are unable or unwilling to provide us with the equipment we need to perform our work, our results of operations will be materially adversely affected.

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 underpricing projects. We also compete against smaller competitors that may have lower overhead cost structures and, therefore, 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 materially and adversely affect our business and results of operations.

Table of Contents

Index to Financial Statements

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

More than 66% of our revenue for the year ended March 31, 2007 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. Future revenues from these types of services will depend upon customers expanding existing mines and developing new projects.

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 those directly impacting mining activities and those indirectly affecting their businesses, such as applicable environmental laws. As a result of changes in regulations and laws relating to the energy production industry, including the operation of mines, our customers operations could be disrupted or curtailed by governmental authorities. The high cost of compliance with applicable regulations 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 non-compliance 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.

Failure by our customers to obtain required permits and licenses 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.

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

Table of Contents

Index to Financial Statements

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. For example, in September 2006, we acquired Midwest Foundation Technologies Ltd. for $1.6 million. 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.

Aboriginal peoples may make claims against our customers or their projects regarding the lands on which their 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, if successful, could have an adverse effect on our customers which may, in turn, negatively impact our business.

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 in 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 affected to the extent these events cause reductions in the utilization of equipment.

Many of our senior officers have either recently joined the company or have just been promoted and have only worked together as a management team for a short period of time.

We recently made several significant changes to our senior management team. In May 2005, we hired a new Chief Executive Officer and promoted our Vice President, Operations to Chief Operating Officer. In January 2005 we hired a new Treasurer, who is now our Vice President, Supply Chain. In June 2006, we hired a new Vice President, Human Resources, Health, Safety and Environment. In September 2006, we hired a new Chief Financial Officer. Our Chief Operating Officer has resigned effective July 31, 2007, and our Vice President, Corporate resigned on March 31, 2006. We are actively searching for a new Chief Operating Officer. As a result of these and other recent changes in senior management, many of our officers have only worked together as a management team for a short period of time and do not have a long history with us. Because our senior management team is responsible for the management of our business and operations, failure to successfully integrate our senior management team could have an adverse impact on our business, financial condition and results of operations.

We incur significantly higher costs as a result of being a public company.

As a public company, we incur significantly higher legal, accounting and other expenses than we did as a private company. In addition, the Sarbanes-Oxley Act of 2002, as well as similar or related rules adopted by the

Table of Contents

Index to Financial Statements

SEC, Canadian securities regulatory authorities, the New York Stock Exchange and the Toronto Stock Exchange, have imposed substantial requirements on public companies, including requiring changes in corporate governance practices and requirements relating to internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act. These rules and regulations increase our legal and financial compliance costs and make some activities more time-consuming and costly.

Risks Related to Our Common Shares and This Offering

Fluctuations in the value of the Canadian and U.S. 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. If you are a U.S. shareholder, the value of your investment in us will fluctuate as the U.S. 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 U.S. dollar rises in value relative to the Canadian dollar, the U.S. dollar value of the dividend payments received by a U.S. common shareholder would be less than they would have been if exchange rates were stable.

If our share price fluctuates after this offering, you could lose a significant part of your 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 you may not be able to resell your shares at or above the offering price 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;
- 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.

Table of Contents

Index to Financial Statements

We, our executive officers and directors and the selling shareholders have agreed, subject to certain exceptions, that neither we nor they will offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the SEC or the securities regulatory authorities in Canada, a registration statement or prospectus under applicable securities legislation, relating to any of our common shares or securities convertible into or exchangeable or exercisable for any of our common shares, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing without the prior consent of Credit Suisse Securities (USA) LLC and UBS Securities LLC for 90 days after the date of this prospectus, subject under various circumstances to extension. See Underwriting. Following the expiration of this lock-up period, all of the common shares owned by our existing investors that will not be sold in this offering will be eligible for future sale pursuant to Rule 144 (in the case of sales in the United States), subject to the applicable volume, manner of sale, holding period and other limitations of that rule and pursuant to National Instrument 45-102, Resale of Securities (in the case of sales in Canada), subject to fulfilling the procedural requirements of that instrument. In addition, some of our existing shareholders have registration rights with respect to their common shares that they will retain following this offering. See Shares Eligible for Future Sale for a discussion of the common shares that may be sold into the public market in the future.

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 your percentage ownership in us.

We currently do not intend to pay cash 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 funds 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 (1) we are, or would after the payment be, unable to pay our liabilities as they become due or (2) 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 your interests as a shareholder.

After the completion of this offering, we expect that the investment entities controlled by The Sterling Group, L.P., Genstar Capital, L.P., Perry Strategic Capital Inc. and SF Holding Corp., whom we collectively refer to as the sponsors, collectively will own approximately 35% of our common shares. As a result, the

Table of Contents

Index to Financial Statements

sponsors and their affiliates will 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 sponsors maintain a significant interest in our common shares, so long as a designated affiliate of each sponsor holds our common shares, such sponsor 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 Related Party Transactions Information Rights Agreements.

For so long as the sponsors own a significant percentage of our outstanding common shares, even if less than a majority, the sponsors will be able to exercise influence over our business and affairs, including the 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 sponsors and their affiliates may not coincide with the interests of our other shareholders. In particular, the sponsors 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 sponsors 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 sponsors 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.

You may be unable to enforce actions against us and some of our directors and officers and others named in this prospectus under U.S. 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 and others named in this prospectus reside principally in Canada. Because these persons are located outside the United States, it may not be possible for you 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 U.S. 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 U.S. federal securities laws and as to the enforceability in Canadian courts of judgments of U.S. courts obtained in actions based upon the civil liability provisions of the U.S. 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 prospectus.

Table of Contents

Index to Financial Statements

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the United States federal securities laws and securities legislation in the provinces and territories of Canada. Statements that are not historical facts, including statements about activities, events or developments that we or a third party expect, believe or anticipate will occur in the future, are forward-looking statements. Forward-looking statements include statements preceded by, followed by or that include the words may, could, would, should, believe, expect, anticipate, plan, estima project, intend, continue, further or similar expressions. These statements include, among others, statements regarding our expected business outlook, anticipated financial and operating results, our business strategy and means to implement the strategy, our objectives, the amount and timing of capital expenditures, the likelihood of our success in expanding our business, financing plans, budgets, working capital needs and sources of liquidity.

Forward-looking statements are only predictions and are not guarantees of performance. These statements are based on beliefs and assumptions, which in turn are based on currently available information. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding demand for our services, the expansion of our business, the timing and cost of planned capital expenditures, competitive conditions and general economic conditions. These assumptions could prove inaccurate. Forward-looking statements also involve risks and uncertainties, which could cause actual results to differ materially from those contained in any forward-looking statement. Many of these risks and uncertainties are beyond our ability to control or predict and the occurrence of any such risk or uncertainty could be material. These factors include, but are not limited to, the following:

- the timing and success of business development efforts;
- changes in oil and gas prices;
- our ability to hire and retain a skilled labor force;
- our ability to bid successfully on new projects and accurately forecast costs associated with unit-price or lump-sum contracts;
- our ability to establish and maintain effective internal controls;
- our substantial debt, which could make us more vulnerable to adverse economic conditions and affect our ability to comply with the terms of the agreements governing our indebtedness;
- restrictive covenants in our debt agreements, which may restrict the manner in which we operate our business;
- foreign currency exchange rate fluctuations, capital markets conditions and inflation rates;
- weather conditions;
- our ability to obtain surety bonds as required by some of our customers;

decreases in outsourcing work by our customers or shut-downs or cutbacks at major businesses that use our services;

our ability to purchase or lease equipment;

changes in laws or regulations, third party relations and approvals, and decisions of courts, regulators and governmental bodies that may adversely affect our business or the business of the customers we serve;

our ability to successfully identify and acquire new businesses and assets and integrate them into our existing operations; and

those other factors discussed in the section entitled Risk Factors.

Table of Contents

Index to Financial Statements

The foregoing list should not be construed to be exhaustive. We believe the forward-looking statements in this prospectus are reasonable; however, there is no assurance that the actions, events or results of the forward- looking statements will occur or, if any of them do, what impact they will have on our results of operations or financial condition. In view of these uncertainties, you should not place undue reliance on any forward-looking statements. Further, forward-looking statements speak only as of the date they are made, and, other than as required by applicable law, we undertake no obligation to update publicly any of them in light of new information or future events.

Table of Contents

Index to Financial Statements

USE OF PROCEEDS

We will not receive any proceeds from the sale of shares by the selling shareholders.

PRICE RANGE OF COMMON SHARES

Our common shares are listed and traded on the New York Stock Exchange and the Toronto Stock Exchange under the symbol NOA. Prior to November 22, 2006, no established public trading market for our common shares existed. The following table sets forth, for the periods indicated, the high and low sale prices per share, as reported on the New York Stock Exchange and the Toronto Stock Exchange.

	New York Stock Exchange		Toronto Stock Exchange	
	High	**Low**	**High**	**Low**
2006				
November (beginning November 22, 2006)	US$ 17.33	US$ 15.40	C$ 19.75	C$ 17.40
December	18.15	15.40	20.75	18.24
2007				
January	17.30	15.01	20.49	17.65
February	19.38	16.55	22.42	19.51
March	21.39	18.81	26.00	22.06
April	22.80	18.60	25.76	21.87
May	23.72	20.68	26.15	22.01
June	21.98	19.51	23.30	21.24
July (through July 30, 2007)	21.43	17.55	22.29	18.86

On July 30, 2007, the last reported sale price of our common shares on the New York Stock Exchange was US$17.55 per share and on the Toronto Stock Exchange was C$19.10 per share.

DIVIDEND POLICY

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 revolving credit facility and the indenture that governs our notes. See Description of Certain Indebtedness.

Table of Contents

Index to Financial Statements

CAPITALIZATION

The following table sets forth our cash and consolidated capitalization as of March 31, 2007 (unaudited).

	March 31, 2007 (Dollars in thousands)
Cash and cash equivalents	$ 7,895
Total debt (including current portion):	
Revolving credit facility (a)	$ 20,500
Obligations under capital leases	9,709
8 3/4% senior notes due 2011 (b)	230,580
Total debt, including current portion	260,789
Derivative financial instruments	60,863
Shareholders equity (c):	
Common shares (35,192,260 voting common shares and 412,400 non-voting common shares-actual; 38,124,660 voting common shares and no non-voting common shares-as adjusted)	296,198
Contributed surplus	3,606
Deficit	(55,526)
Total shareholders equity	244,278
Total capitalization	$ 565,930

(a) We entered into an amended and restated credit agreement as of June 7, 2007, which provides for borrowings and letters of credit in an aggregate amount of $125.0 million. As of July 27, 2007, we had approximately $93 million of available borrowings under the revolving credit facility after taking into account approximately $7 million of outstanding loans and $25 million of outstanding letters of credit. See Description of Certain Indebtedness.

(b) Our 8 3/4% senior notes are reflected at the current exchange rate as of March 31, 2007. We have entered into cross-currency and interest rate swaps, which represent an economic hedge of the 8 3/4% senior notes. At maturity, we will be required to pay $263.0 million (compared to $291.4 million at March 31, 2007) in order to retire these senior notes and the swaps. This amount reflects the fixed exchange rate of C$1.315 = US$1.00 established as of November 26, 2003, the inception of the swap contracts.

(c) This table does not reflect 1,999,440 common shares issuable upon exercise of outstanding stock options under our Amended and Restated 2004 Share Option Plan as of June 28, 2007.

Table of Contents

Index to Financial Statements

SELECTED HISTORICAL FINANCIAL DATA

The selected historical financial data presented below as of and for the fiscal year ended March 31, 2003 and for the period from April 1, 2003 to November 25, 2003 is derived from the audited consolidated financial statements of Norama Ltd., our predecessor. The selected historical financial data presented below for the period from November 26, 2003 to March 31, 2004 and as of and for each of the fiscal years ended March 31, 2005, 2006 and 2007 is derived from our audited consolidated financial statements. The financial data for the periods before November 26, 2003 is not necessarily comparable to the financial data for periods after November 25, 2003. The information presented below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our audited consolidated financial statements and related notes included elsewhere in this prospectus. All of the financial information presented below has been prepared in accordance with Canadian GAAP, which differs in certain significant respects from U.S. GAAP. For a discussion of the principal differences between Canadian GAAP and U.S. GAAP as they pertain to us, see note 27 to our consolidated financial statements included elsewhere in this prospectus.

	Year Ended March 31,			November 26, 2003 to March 31,	Predecessor (a) April 1, 2003 to November 25,	Predecessor (a) Year Ended March 31,
	2007	2006	2005	2004	2003	2003
	(Dollars in thousands except per share amounts)					
Statement of operations data:						
Revenue (b)	$ 629,446	$ 492,237	$ 357,323	$ 127,611	$ 250,652	$ 344,186
Project costs	363,930	308,949	240,919	83,256	156,976	219,979
Equipment costs	122,306	64,832	52,831	13,686	43,484	55,871
Equipment operating lease expense	19,740	16,405	6,645	1,430	10,502	16,357
Depreciation	31,034	21,725	20,762	6,674	6,566	10,974
Gross profit	92,436	80,326	36,166	22,565	33,124	41,005
General and administrative costs	39,769	30,903	22,873	6,065	7,783	12,233
Loss (gain) on sale of plant and equipment	959	(733)	494	131	(49)	(2,265)
Amortization of intangible assets	582	730	3,368	12,928		
Operating income before the undernoted	51,126	49,426	9,431	3,441	25,390	31,037
Management fee (c)					41,070	8,000
Interest expense (d)	37,249	68,776	31,141	10,079	2,457	4,162
Foreign exchange gain	(5,044)	(13,953)	(19,815)	(661)	(7)	(234)
Gain on repurchase of NACG Preferred Corp. Series A preferred shares (e)	(9,400)					
Loss on extinguishment of debt (e)	10,935	2,095				
Other income	(904)	(977)	(421)	(230)	(367)	
Realized and unrealized (gain) loss on derivative financial instruments	(196)	14,689	43,113	12,205		
Income (loss) before income taxes	18,486	(21,204)	(44,587)	(17,952)	(17,763)	19,109
Income taxes (benefit)	(2,593)	737	(2,264)	(5,670)	(6,622)	6,620
Net income (loss) (f)	$ 21,079	$ (21,941)	$ (42,323)	$ (12,282)	$ (11,141)	$ 12,489
Earnings Per Share						
Basic	$ 0.87	$ (1.18)	$ (2.28)	$ (0.66)	N/A	N/A
Diluted	$ 0.83	$ (1.18)	$ (2.28)	$ (0.66)	N/A	N/A
Weighted average number of common shares						
Basic	24,352,156	18,574,800	18,539,720	18,500,000	N/A	N/A
Diluted	25,443,907	18,574,800	18,539,720	18,500,000	N/A	N/A

Balance sheet data (end of period):						
Cash	$ 7,895	$ 42,804	$ 17,924	$ 36,595		$ 651
Plant and equipment, net	255,963	184,562	177,089	167,905		76,234
Total assets	710,736	568,682	540,155	489,674		158,584
Total debt (g)	260,789	314,959	310,402	313,798		63,401
Other long-term financial liabilities (g)	60,863	141,179	86,723	46,266		
Total long-term financial liabilities (g)	297,957	453,092	395,354	352,027		40,342
NACG Preferred Corp. Series A preferred shares (e)		35,000	35,000	35,000		
Pre-amalgamated North American Energy Partners Inc. Series A preferred shares (e)		375				
Pre-amalgamated North American Energy Partners Inc. Series B preferred shares (e)		42,193				
Total shareholders equity (e)	244,278	18,111	38,829	80,355		29,818

31

Table of Contents

Index to Financial Statements

	Year Ended March 31,			November 26, 2003 to March 31,	Predecessor (a) April 1, 2003 to November 25,	Year Ended March 31,
	2007	2006	2005	2004	2003	2003
	(Dollars in thousands except shares and per share amounts)					
Other financial data:						
EBITDA (h)	$ 87,351	$ 70,027	$ 10,684	$ 11,729	$ (8,740)	$ 34,245
Consolidated EBITDA (h)	90,235	72,422	34,448	23,462	(8,789)	31,980
Cash provided by (used in) operating activities	10,052	35,092	(5,673)	15,477	2,509	16,283
Cash used in investing activities	(107,972)	(23,396)	(24,215)	(364,514)	(4,625)	(18,745)
Cash provided by financing activities	63,011	13,184	11,217	385,632	6,967	2,677
Capital expenditures, net of capital leases	110,019	28,852	24,839	2,501	5,234	22,932

(a) The historical financial data as at and for the year ended March 31, 2003 and for the period from April 1, 2003 to November 25, 2003 is derived from the historical financial statements of Norama Ltd., our predecessor. The financial data for periods before November 26, 2003 is not necessarily comparable to the financial data for periods after November 25, 2003.

(b) Effective April 1, 2005, we changed our accounting policy regarding the recognition of revenue on claims. This change in accounting policy has been applied retroactively. Prior to this change, revenue from claims was included in total estimated contract revenue when awarded or received. After this change, 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 claim will result in a bona fide addition to contract value and can be reliably estimated. Those two conditions are satisfied when:

(1) the contract or other evidence provides a legal basis for the claim or a legal opinion is obtained providing a reasonable basis to support the claim,

(2) additional costs incurred were caused by unforeseen circumstances and are not the result of deficiencies in our performance,

(3) costs associated with the claim are identifiable and reasonable in view of work performed and

(4) evidence supporting the claim is objective and verifiable.

No profit is recognized on claims until final settlement occurs. 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.

Claims revenue recognized was $14.5 million for the year ended March 31, 2007 (2006 $12.9 million; 2005 $nil), $8.4 million of which is included in unbilled revenue and remains uncollected at the end of the year (2005 $nil). Of the amount included in unbilled revenue at March 31, 2007, $6.6 million was collected subsequent to year end.

(c) Management fees paid to the corporate shareholder of our predecessor company, Norama Ltd., represented fees for services rendered and were determined with reference to taxable income. Subsequent to the Acquisition on November 26, 2003, these fees are no longer paid.

(d) Interest expense consists of the following:

	Year Ended March 31,			November 26, 2003 to March 31,	Predecessor April 1, 2003 to November 25,
	2007	2006	2005	2004	2003
			(Dollars in thousands)		
Interest on senior notes	$ 27,417	$ 28,838	$ 23,189	$ 8,096	$
Interest on capital lease obligations	725	457	230		
Interest on senior secured credit facility		564	3,274	1,089	599
Interest on NACG Preferred Corp. Series A preferred shares	1,400				
Accretion and change in redemption value of pre-amalgamated North American Energy Partners Inc. Series B preferred shares	2,489	34,668			
Accretion of pre-amalgamated North American Energy Partners Inc. Series A preferred shares	625	54			
Interest on long-term debt	32,656	64,581	26,693	9,185	599
Amortization of deferred financing costs	3,436	3,338	2,554	814	
Other interest	1,157	857	1,894	80	1,858
Interest expense	$ 37,249	$ 68,776	$ 31,141	$ 10,079	$ 2,457

(e) On November 28, 2006, prior to the consummation of our initial public offering discussed below, NACG Holdings Inc. amalgamated 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 voting common shares of the new entity, North American Energy Partners Inc., were the shares sold in the initial public offering.

On November 28, 2006, prior to the amalgamation:

NACG Holdings Inc. acquired the NACG Preferred Corp. Series A preferred shares with a carrying value of $35.0 million together with related accrued and subsequently forfeited dividends of $1.4 million in exchange for a promissory note in the amount of $27.0 million. We recorded a gain of $9.4 million on the repurchase of the NACG Preferred Corp. Series A preferred shares.

NACG Holdings Inc. repurchased the pre-amalgamated North American Energy Partners Inc. Series A preferred shares for their redemption value of $1.0 million. NACG Holdings Inc. also cancelled the consulting and advisory services agreement with The Sterling Group, L.P., Genstar Capital, L.P., Perry Strategic Capital Inc. and SF Holding Corp. (whom we refer to collectively as the sponsors), under which NACG Holdings Inc. had received ongoing consulting and advisory services with respect to the organization of the companies, employee benefit and compensation arrangements and other matters. The consideration paid for the cancellation of the consulting and advisory services agreement on the closing of the offering was $2.0 million, which was recorded as general and administrative expense in the consolidated statement of operations. Under the consulting and advisory services agreement, the sponsors also received a fee of $0.9 million, or 0.5% of the aggregate gross proceeds to us from the offering, which was recorded as a share issue cost.

Each holder of pre-amalgamated North American Energy Partners Inc. Series B preferred shares received 100 common shares of NACG Holdings Inc. for each pre-amalgamated North American Energy Partners Inc. Series B preferred share held as a result of NACG Holdings Inc. exercising a call option to acquire the pre-amalgamated North American Energy Partners Inc. Series B preferred shares. Upon exchange, the carrying value in the amount of $44.7 million for the pre-amalgamated North American Energy

Partners Inc. Series B preferred shares on the exercise date was transferred to share capital.

On November 28, 2006, we completed our initial public offering of 8,750,000 common voting shares for total gross proceeds of $158.6 million. Net proceeds from our initial public offering, after deducting underwriting fees and offering expenses, were $140.9 million. Subsequent to our initial public offering, the underwriters exercised their over-allotment option to purchase 687,500 additional voting common shares for

Table of Contents

Index to Financial Statements

gross proceeds of $12.6 million. Net proceeds from the over-allotment, after deducting underwriting fees and offering expenses, were $11.7 million. Total net proceeds from our initial public offering and subsequent over-allotment were $152.6 million.

The net proceeds from our initial public offering and subsequent over-allotment were used:

- to repurchase all of our outstanding 9% senior secured notes due 2010 for $74.7 million plus accrued interest of $3.0 million. The notes were redeemed at a premium of 109.26% resulting in a loss on extinguishment of $6.3 million. The loss on extinguishment, along with the write-off of deferred financing fees of $4.3 million and other costs of $0.3 million, was recorded as a loss on extinguishment of debt in the consolidated statement of operations;

- to repay the promissory note in respect of the repurchase of the NACG Preferred Corp. Series A preferred shares for $27.0 million as described above;

- to purchase certain equipment leased under operating leases for $44.6 million;

- to cancel the consulting and advisory services agreement with the sponsors for $2.0 million; and

- $1.3 million for working capital and general corporate purposes.

(f) Our financial statements have been prepared in accordance with Canadian GAAP, which differs in certain respects from U.S. GAAP. If U.S. GAAP were employed, our net income (loss) would be adjusted as follows:

	Year Ended March 31,			November 26, 2003 to March 31,	Predecessor April 1, 2003 to November 25,	Predecessor Year Ended March 31,
	2007	2006	2005	2004	2003	2003
	(Dollars in thousands, except per share amounts)					
Net income (loss) Canadian GAAP	$ 21,079	$ (21,941)	$ (42,323)	$ (12,282)	$ (11,141)	$ 12,489
Capitalized interest(1)	249	847				
Depreciation of capitalized interest(1)	(143)					
Amortization using effective interest method(2)	1,246	590				
Realized and unrealized loss on derivative financial instruments(3)	348	(484)				
Difference between accretion of Series B Preferred Shares(4)	249					
Income (loss) before income taxes	23,028	(20,988)	(42,323)	(12,282)	(11,141)	12,489
Income taxes: Deferred income taxes	(954)					
Net income (loss) U.S. GAAP	$ 22,074	$ (20,988)	$ (42,323)	$ (12,282)	$ (11,141)	$ 12,489

Net income (loss) per share Basic U.S. GAAP	$ 0.91	$ (1.13)	$ (2.28)	$ (0.66)
Net income (loss) per share Diluted U.S. GAAP	$ 0.87	$ (1.13)	$ (2.28)	$ (0.66)

34

Table of Contents

Index to Financial Statements

The cumulative effect of material differences between Canadian and U.S. GAAP on the consolidated shareholders equity is as follows:

	March 31, 2007	March 31, 2006	March 31, 2005
		(Dollars in thousands)	
Shareholders equity (as reported) Canadian GAAP	$ 244,278	$ 18,111	$ 38,829
Capitalized interest(1)	1,096	847	
Depreciation of capitalized interest(1)	(143)		
Amortization using effective interest method(2)	1,836	590	
Realized and unrealized loss on derivative financial instruments(3)	(136)	(484)	
Excess of fair value of amended Series B preferred shares over carrying value of original series B preferred shares(4)		(3,707)	
Deferred income taxes	(954)		
Shareholders equity U.S. GAAP	$ 245,977	$ 15,357	$ 38,829

(1) U.S. 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. Accordingly, the capitalized amount is subject to depreciation in accordance with our policies when the asset is available for service.

(2) Under Canadian GAAP, we defer and amortize debt issue costs on a straight-line basis over the stated term of the related debt. Under U.S. GAAP, we are required to amortize financing costs over the stated term of the related debt using the effective interest method resulting in a consistent interest rate over the term of the debt in accordance with Accounting Principles Board Opinion No. 21 (APB 21).

(3) Statement of Financial Accounting Standard No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133) establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts and debt instruments) be recorded in the balance sheet as either an asset or liability measured at its fair value. On November 26, 2003, we issued 8 $^{3}/4$% senior notes for US$200 million (C$263 million). On May 19, 2005, we issued 9% senior secured notes for US$60.4 million (C$76.3 million), subsequently retired on November 28, 2006. Both of these issues included certain contingent embedded derivatives which provided for the acceleration of redemption by the holder at a premium in certain instances. These embedded derivatives met the criteria for bifurcation from the debt contract and separate measurement at fair value. The embedded derivatives have been measured at fair value and classified as part of the carrying amount of the Senior Notes on the consolidated balance sheet, with changes in the fair value being recorded in net income as realized and unrealized (gain) loss on derivative financial instruments for the period under U.S. GAAP. Under Canadian GAAP, separate accounting of embedded derivatives from the host contract is not permitted by EIC-117.

(4) Prior to the modification of the terms of the pre-amalgamated North American Energy Partners Inc. Series B preferred shares, there were no differences between Canadian GAAP and U.S. GAAP related to the pre-amalgamated North American Energy Partners Inc. Series B preferred shares. As a result of the modification of terms of the pre-amalgamated North American Energy Partners Inc. s Series B preferred shares on March 30, 2006, under Canadian GAAP, we continued to classify the pre-amalgamated North American Energy Partners Inc. 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 U.S. GAAP, we recognized the fair value of the amended pre-amalgamated North American Energy Partners Inc. Series B preferred shares as minority interest as such amount was recognized as temporary equity in the accounts of the pre-amalgamated North American Energy Partners Inc. in accordance with EITF Topic D-98 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 U.S. GAAP, we were accreting the initial fair value of the amended pre-amalgamated North American Energy Partners Inc. 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

Table of Contents

Index to Financial Statements

million using the effective interest method, which was consistent with the treatment of the pre-amalgamated North American Energy Partners Inc. Series B preferred shares as temporary equity in the financial statements of the pre-amalgamated North American Energy Partners Inc. The accretion charge was recognized as a charge to minority interest (as opposed to retained earnings in the accounts of the pre-amalgamated North American Energy Partners Inc.) under U.S. GAAP and interest expense in our financial statements under Canadian GAAP. On November 28, 2006, we exercised a call option to acquire all of the issued and outstanding Series B preferred shares of the pre-amalgamated North American Energy Partners Inc. in exchange for 7,524,400 of our common shares. For Canadian GAAP purposes, we recorded the exchange by transferring the carrying value of the Series B preferred shares of the pre-amalgamated North American Energy Partners Inc. on the exercise date of $44.7 million to common shares. For U.S. GAAP purposes, the conversion has been accounted for as a combination of entities under common control as all of the shareholders of the Series B preferred shares of the pre-amalgamated North American Energy Partners Inc. were also our common shareholders resulting in the reclassification of the carrying value of the minority interest on the exercise date of $48.1 million to common shares.

(g) Total debt as of March 31, 2007 consists of the following (in thousands):

Revolving line of credit	$ 20,500
Obligations under capital leases, including current portion	9,709
8 3/4% senior notes due 2011	230,580
Total debt	$ 260,789

Our 8 3/4% senior notes are stated at the current exchange rate at each balance sheet date. We have entered into cross-currency and interest rate swaps, which represent an economic hedge of the 8 3/4% senior notes. At maturity, we will be required to pay $263 million in order to retire these senior notes and the swaps. This amount reflects the fixed exchange rate of C$1.315=US$1.00 established as of November 26, 2003, the date of inception of the swap contracts.

Other long-term financial liabilities consist of derivative financial instruments and redeemable preferred shares.

Total long-term financial liabilities consists of total debt, excluding current portion, plus our redeemable shares and derivative financial instruments.

(h) EBITDA is calculated as net income (loss) before interest expense, income taxes, depreciation and amortization. Consolidated EBITDA is defined as EBITDA, excluding the effects of 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 and certain other non-cash items included in the calculation of net income (loss). 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 capital assets are being allocated efficiently. In addition, our revolving credit facility requires us to maintain a minimum interest coverage ratio and a maximum senior leverage ratio, which are calculated using Consolidated EBITDA. Non-compliance with these financial covenants could result in our being required to immediately repay all amounts outstanding under our revolving credit facility. EBITDA and Consolidated EBITDA are not measures of performance under Canadian GAAP or U.S. GAAP and our computations of EBITDA and Consolidated EBITDA may vary from others in our industry. EBITDA and Consolidated EBITDA should not be considered as alternatives to operating income or net income as measures of operating performance or cash flows as measures of liquidity. EBITDA and Consolidated EBITDA have important limitations as analytical tools, and you should not consider them in isolation, or as substitutes for analysis of our results as reported under Canadian GAAP or U.S. GAAP. For example, EBITDA and Consolidated EBITDA:

do not reflect our cash expenditures or requirements for capital expenditures or capital commitments;

do not reflect changes in, or cash requirements for, our working capital needs;

do not reflect the interest expense or the cash requirements necessary to service interest or principal payments on our debt;

Table of Contents

Index to Financial Statements

exclude tax payments that represent a reduction in cash available to us; and

do not reflect any cash requirements for assets being depreciated and amortized that may have to be replaced in the future.

In addition, Consolidated EBITDA excludes unrealized foreign exchange gains and losses and unrealized and realized 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.

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

	Year Ended March 31,			November 26, 2003 to March 31,	Predecessor April 1, 2003 to November 25,	Year Ended March 31,
	2007	2006	2005	2004	2003	2003
	(Dollars in thousands)					
Net income (loss)	$ 21,079	$ (21,941)	$ (42,323)	$ (12,282)	$ (11,141)	$ 12,489
Adjustments:						
Interest expense	37,249	68,776	31,141	10,079	2,457	4,162
Income taxes (benefit)	(2,593)	737	(2,264)	(5,670)	(6,622)	6,620
Depreciation	31,034	21,725	20,762	6,674	6,566	10,974
Amortization of intangible assets	582	730	3,368	12,928		
EBITDA	$ 87,351	$ 70,027	$ 10,684	$ 11,729	$ (8,740)	$ 34,245

A reconciliation of EBITDA to Consolidated EBITDA is as follows:

	Year Ended March 31,			November 26, 2003 to March 31,	Predecessor April 1, 2003 to November 25,	Year Ended March 31,
	2007	2006	2005	2004	2003	2003
	(Dollars in thousands)					
EBITDA	$ 87,351	$ 70,027	$ 10,684	$ 11,729	$ (8,740)	$ 34,245
Adjustments:						
Unrealized foreign exchange gain on senior notes	$ (5,017)	(14,258)	(20,340)	(740)		
Realized and unrealized (gain) loss on derivative financial instruments	$ (196)	14,689	43,113	12,205		
Loss (gain) on disposal of plant and equipment	$ 959	(733)	494	131	(49)	(2,265)
Stock-based compensation expense	$ 2,101	923	497	137		
Write-off of deferred financing costs	$ 4,342	1,774				
Write down of other assets to replacement cost	$ 695					
Consolidated EBITDA	$ 90,235	$ 72,422	$ 34,448	$ 23,462	$ (8,789)	$ 31,980

37

[Table of Contents](#)

[Index to Financial Statements](#)

MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the financial statements and the notes thereto included elsewhere in this prospectus. The following discussion contains forward-looking statements, which reflect the expectations, beliefs, plans and objectives of management about future financial performance and assumptions underlying our judgments concerning the matters discussed below. See Cautionary Note Regarding Forward-Looking Statements. These statements, accordingly, involve estimates, assumptions, judgments and uncertainties. In particular, this pertains to management s comments on financial resources, capital spending and the outlook for our business. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to any differences include, but are not limited to, those discussed below and elsewhere in this prospectus, particularly in Risk Factors. Unless the context otherwise requires, references in the following discussion to 2007, 2006 and 2005 mean the fiscal years ended March 31, 2007, 2006 and 2005, respectively.

Outlook

With world economic growth continuing to positively impact oil demand and price, we expect to experience increasing project activity in our core market, the Canadian oil sands. Activity in the Fort McMurray area remains strong with a number of high-profile projects underway, including the CNRL expansion, Albian s Jackpine Mine, Suncor s Voyageur project and the planned Fort Hills project (a partnership between Petro-Canada Oil Sands, Inc., UTS Energy Corp., Teck Cominco Ltd. and Fort Hills Energy Corp.). Our 2007 acquisition of new equipment designed for heavy earth moving in the oil sands area has strengthened our ability to bid competitively in this market, and we have secured new contracts on a number of new projects.

In our Mining and Site Preparation segment, we are actively pursuing a strategy of strengthening our leading position as the preferred provider of mining and construction services in the Fort McMurray oil sands area, while concurrently expanding our business reach by bidding on Canadian opportunities in resource areas outside the oil sands. Our involvement with De Beers Canada at their Victor Diamond Mine project in northern Ontario is the first such project for us. We anticipate that the oil sands development and continued strong construction activity in western Canada will result in additional opportunities for our Piling business. The Kinder Morgan TMX project scheduled to commence construction in the summer of 2007 is another good opportunity for our Pipeline segment.

Assuming that we are able to avoid loss contracts, we believe our operating performance will continue to improve in 2008 as a result of the increasing market demand for our services and a number of internal initiatives undertaken or completed in 2007. These include the restructuring of our management team, the strengthening of our financial and operating controls and the implementation of a major business improvement project aimed at increasing productivity and equipment utilization.

The Reorganization

Concurrently with the consummation of our initial public offering, NACG Holdings Inc., NACG Preferred Corp. and North American Energy Partners Inc. amalgamated into one entity, North American Energy Partners Inc. As a result, the amalgamated North American Energy Partners Inc. acquired all of the assets and assumed all of the liabilities and obligations of the three amalgamated entities. See Business Reorganization and Initial Public Offering. Accordingly, our results of operations and financial condition before the amalgamation may not be comparable to our results of operations and financial condition after the amalgamation.

Table of Contents

Index to Financial Statements

Consolidated Financial Highlights

	Year Ended March 31, 2007		2006		2005	
	(Dollars in thousands, except per share amounts)					
Revenue	$ 629,446		$ 492,237		$ 357,323	
Gross profit	92,436	*14.7%*	80,326	*16.3%*	36,166	*10.1%*
General & administrative costs	39,769	*6.3%*	30,903	*6.3%*	22,873	*6.4%*
Operating income	51,126	*8.1%*	49,426	*10.0%*	9,431	*2.6%*
Net income (loss)	21,079	*3.3%*	(21,941)	*(4.5%)*	(42,323)	*(11.8%)*
Per share information						
Net Income (loss) basic	0.87		(1.18)		(2.28)	
Net income (loss) diluted	0.83		(1.18)		(2.28)	
EBITDA(a)	87,351	*13.9%*	70,027	*14.2%*	10,684	*3.0%*
Consolidated EBITDA(a)	90,235	*14.3%*	72,422	*14.7%*	34,448	*9.6%*

(a) EBITDA is calculated as net income (loss) before interest expense, income taxes, depreciation and amortization. Consolidated EBITDA is defined as EBITDA, excluding the effects of 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 and certain other non-cash items included in the calculation of net income (loss). 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 capital assets are being allocated efficiently. In addition, our revolving credit facility requires us to maintain a minimum interest coverage ratio and a maximum senior leverage ratio, which are calculated using Consolidated EBITDA. Non-compliance with these financial covenants could result in our being required to immediately repay all amounts outstanding under our revolving credit facility. EBITDA and Consolidated EBITDA are not measures of performance under Canadian GAAP or U.S. GAAP and our computations of EBITDA and Consolidated EBITDA may vary from others in our industry. EBITDA and Consolidated EBITDA should not be considered as alternatives to operating income or net income as measures of operating performance or cash flows as measures of liquidity. EBITDA and Consolidated EBITDA have important limitations as analytical tools, and you should not consider them in isolation, or as substitutes for analysis of our results as reported under Canadian GAAP or U.S. GAAP. For example, EBITDA and Consolidated EBITDA:

- do not reflect our cash expenditures or requirements for capital expenditures or capital commitments;
- do not reflect changes in, or cash requirements for, our working capital needs;
- do not reflect the interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- exclude tax payments that represent a reduction in cash available to us; and
- do not reflect any cash requirements for assets being depreciated and amortized that may have to be replaced in the future.

In addition, Consolidated EBITDA excludes unrealized foreign exchange gains and losses and unrealized and realized 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.

39

Table of Contents

Index to Financial Statements

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

	Year ended March 31,		
	2007	2006	2005
	(Dollars in thousands)		
Net income (loss)	$ 21,079	$ (21,941)	$ (42,323)
Adjustments:			
Interest expense	37,249	68,776	31,141
Income taxes	(2,593)	737	(2,264)
Depreciation	31,034	21,725	20,762
Amortization of intangible assets	582	730	3,368
EBITDA	$ 87,351	$ 70,027	$ 10,684

A reconciliation of EBITDA to Consolidated EBITDA is as follows:

	Year ended March 31,		
	2007	2006	2005
	(Dollars in thousands)		
EBITDA	$ 87,351	$ 70,027	$ 10,684
Adjustments:			
Unrealized foreign exchange (gain) loss on senior notes	(5,017)	(14,258)	(20,340)
Realized and unrealized loss on derivative financial instruments	(196)	14,689	43,113
Loss (gain) on disposal of plant and equipment	959	(733)	494
Stock-based compensation	2,101	923	497
Write-off of deferred financing costs	4,342	1,774	
Write-down of other assets to replacement cost	695		
Consolidated EBITDA	$ 90,235	$ 72,422	$ 34,448

Fiscal Year Ended March 31, 2007 Compared to Fiscal Year Ended March 31, 2006

For the year ended March 31, 2007, our consolidated revenue increased to $629.4 million, from $492.2 million in 2006. While gains were achieved in all operating segments, the $137.2 million, or 27.9%, improvement was primarily due to increased project work in the Mining and Site Preparation segment, most notably at Albian s Jackpine Mine.

Gross profit increased by 15.1% to $92.4 million in 2007, from $80.3 million in 2006 as a result of the increased revenue. As a percentage of revenue, gross profit declined to 14.7% in 2007, from 16.3% in 2006 resulting from losses on three pipeline projects. Gross profit was also reduced by a $3.6 million impairment charge recognized on a major piece of construction equipment and higher operating expenses. The increase in operating expenses reflects higher equipment, repair and maintenance, and shop overhead costs related to our fleet expansion, increased activity and escalating tire costs. Operating lease expense also increased in 2007, reflecting the addition of new leased equipment to support new projects, including the 10-year CNRL overburden removal project. The impact on gross profit as a percentage of revenue of higher operating costs and reduced Pipeline profitability was partially offset by improved project performance in the Mining and Site Preparation and Piling segments.

Operating income for 2007 increased to $51.1 million, from $49.4 million in 2006. This $1.7 million, or 3.4%, improvement was primarily due to the $12.1 million increase in gross profit discussed above, partially offset by a $8.9 million, or 28.7%, increase in general and administrative costs. The increase in general and administrative costs reflects increased employee costs related to our growing employee base, the payment of fees to the sponsors for termination of the advisory services agreement (see Related Party Transactions Advisory Services Agreement) and higher professional fees for audit, legal and general consulting services. We recorded a loss of $1.0 million on the disposal of plant and equipment as a result of the sale and write-down of certain heavy equipment, compared to a gain of $0.7 million in 2006.

Table of Contents

Index to Financial Statements

Fiscal Year Ended March 31, 2006 Compared to Fiscal Year Ended March 31, 2005

Consolidated 2006 revenue increased to $492.2 million from $357.3 million in 2005. This $134.9 million, or 37.8%, improvement was due to increased project work in the Mining and Site Preparation segment, as well as growth in our Piling division.

Gross profit in 2006 increased to $80.3 million from $36.2 million in 2005, and as a percentage of revenue, gross profit increased to 16.3%, from 10.1% in 2005. The increase in gross profit reflects improved project performance in the Mining and Site Preparation and Piling segments and the recognition of $12.9 million of revenue from claims and unapproved change orders in 2006 for which corresponding costs were recognized in 2005. These favorable impacts were partially offset by an increase in equipment costs, operating lease expense and depreciation. The increase in equipment costs and depreciation was primarily due to increased fleet size and activity levels, higher repair and maintenance costs caused by increased usage of larger equipment, increased cost of parts, primarily tires, and overhead and shop costs. The increase in operating lease expense for 2006 primarily relates to the addition of new leased equipment to support new projects, including the 10-year CNRL overburden removal project.

Operating income for 2006 increased to $49.4 million, from $9.4 million in 2005. This $40.0 million, or 424.1%, increase reflects the $44.1 million increase in gross profit discussed above, partially offset by higher general and administrative costs. General and administrative costs increased by $8.0 million, or 35.1%, as a result of increased professional fees relating to financing transactions in 2006, increased employee costs and higher bonuses. We also recorded a gain of $0.7 million on disposal of plant and equipment in 2006, compared to a loss of $0.5 million in 2005.

Segment Operations

Segment profit is determined based on internal performance measures used to assess the performance of each business in a given period. Segment profit includes revenue earned from the performance of our projects, including amounts arising from change orders and claims, less all direct projects expenses, including direct labour, short-term equipment rentals, materials, payments to subcontractors, indirect job costs and internal charges for use of capital equipment.

	Year ended March 31,					
	2007		2006		2005	
	(Dollars in thousands)					
Revenue by operating segment:						
Mining and site preparation	$ 473,179	*75.2%*	$ 366,721	*74.5%*	$ 264,835	*74.1%*
Piling	109,266	*17.3*	91,434	*18.6*	61,006	*17.1*
Pipeline	47,001	*7.5*	34,082	*6.9*	31,482	*8.8*
Total	$ 629,446	*100.0%*	$ 492,237	*100.0%*	$ 357,323	*100.0%*
Segment profit:						
Mining and site preparation	$ 71,062	*74.9%*	$ 50,730	*61.7%*	$ 11,617	*38.9%*
Piling	34,395	*36.2*	22,586	*27.4*	13,319	*44.6*
Pipeline	(10,539)	*(11.1)*	8,996	*10.9*	4,902	*16.5*
Total	$ 94,918	*100.0%*	$ 82,312	*100.0%*	$ 29,838	*100.0%*
Equipment hours by operating segment:						
Mining and site preparation	909,361	*91.6%*	811,891	*93.0%*	673,613	*88.2%*
Piling	47,965	*4.8*	37,300	*4.3*	56,460	*7.4*
Pipeline	35,588	*3.6*	24,197	*2.8*	33,847	*4.4*
Total	992,914	*100.0%*	873,388	*100.0%*	763,920	*100.0%*

41

Table of Contents

Index to Financial Statements

Mining and Site Preparation

Fiscal Year Ended Year Ended March 31, 2007 Compared to Fiscal Year Ended March 31, 2006

Mining and Site Preparation revenue increased 29.0% to $473.2 million in 2007, from $366.7 million in 2006. The growth in revenue was primarily due to higher oil sands activity relating to large site preparation projects at Albian s Jackpine Mine and Birch Mountain Resources, combined with the continued ramp up on the CNRL overburden removal project and the De Beers Victor Mine project in northern Ontario.

Segment profit from our Mining and Site Preparation activities increased 40.1%, to $71.1 million, from $50.7 million in 2006, reflecting increased revenues. Segment profit in 2007 also benefited from the recognition of $12.7 million in claims revenue related to two large site preparation projects completed in 2006 and 2005. The corresponding costs of these projects were recognized in fiscal years 2006 and 2005.

Fiscal Year Ended March 31, 2006 Compared to Fiscal Year Ended March 31, 2005

Mining and Site Preparation revenue increased 38.5% to $366.7 million in 2006, from $264.8 million in 2005. This increase primarily reflects our involvement in large site preparation, underground utility installation and overburden removal at the CNRL oil sands project in Fort McMurray. We also provided significant mining services for Grande Cache Coal Corporation during the year. In addition, we recognized $12.9 million of revenue from claims and unapproved change orders for 2006 in which corresponding costs were recognized in previous years.

Mining and Site Preparation segment profit for 2006 increased 336.7% to $50.7 million, from $11.6 million in 2005, reflecting increased project activity, more efficient use of equipment and a loss incurred on a large steam-assisted gravity drainage site project in 2005. Our segment profit also benefited from claims revenue being recognized in 2006 for which corresponding costs were recognized in previous years.

Piling

Fiscal Year Ended March 31, 2007 Compared to Fiscal Year Ended March 31, 2006

Piling revenue increased 19.5% to $109.3 million, from $91.4 million in 2006. This increase was primarily due to strong economic conditions, which supported a higher volume of construction projects in the Fort McMurray and Calgary regions, and to a single large project in the Edmonton region.

Piling segment profit increased 52.3% to $34.4 million, from $22.6 million in 2006, resulting from increased volume and our execution of higher-margin projects.

Fiscal Year Ended March 31, 2006 Compared to Fiscal Year Ended March 31, 2005

Piling revenue increased 49.9% to $91.4 million, from $61.0 million in 2005. The increase was driven by a higher volume of projects in the Fort McMurray, Vancouver and Regina regions as a result of the strong economic environment and an increase in construction activities.

Piling segment profit increased 69.6% to $22.6 million, from $13.3 million in 2005, as a result of increased volumes and higher-margin work.

Pipeline

Fiscal Year Ended March 31, 2007 Compared to Fiscal Year Ended March 31, 2006

Pipeline revenue for 2007 increased 37.9% to $47.0 million, from $34.1 million in 2006, as a result of our involvement in three significant pipeline projects. The increase in 2007 revenue was partially offset by reduced work from EnCana.

Table of Contents

Index to Financial Statements

Our Pipeline segment recorded a loss of $10.5 million in 2007, compared to a profit of $9.0 million in 2006. The 2007 result relates primarily to losses on three large pipeline projects, which were caused primarily by increased costs associated with increased scope and condition changes not recovered from our clients. We are currently working with our customers to come to a resolution on the amounts, if any, to be paid to us in respect of these costs.

Fiscal Year Ended March 31, 2006 Compared to Fiscal Year Ended March 31, 2005

Our Pipeline revenue increased 8.3% to $34.1 million, from $31.5 million in 2005, primarily as a result of increased work for EnCana and CNRL.

Pipeline profit increased 83.5% to $9.0 million, from $4.9 million in 2005, reflecting the combination of increased volume and higher-margin work during the 2006 period.

Non-operating expenses (income)

	Year ended March 31,		
	2007	**2006**	**2005**
	(Dollars in thousands)		
Interest expense			
Interest on long term debt	$ 29,542	$ 29,295	$ 23,419
Accretion and change in redemption value of mandatorily redeemable preferred shares	3,114	34,722	
Interest on senior secured credit facility		564	3,274
Amortization of deferred financing costs	3,436	3,338	2,554
Other interest	1,157	857	1,894
Total interest expense	37,249	68,776	31,141
Foreign exchange loss (gain)	(5,044)	(13,953)	(19,815)
Realized and unrealized (gain) loss on derivative financial instruments	(196)	14,689	43,113
Gain on repurchase of NACG Preferred Corp. Series A preferred shares	(9,400)		
Loss on extinguishment of debt	10,935	2,095	
Other income	(904)	(977)	(421)
Income tax (recovery) expense	(2,593)	737	(2,264)

Fiscal Year Ended March 31, 2007 Compared to Fiscal Year Ended March 31, 2006

Total interest expense decreased by $31.5 million in 2007 compared to 2006, primarily due to the amendment to the terms of the pre-amalgamated North American Energy Partners Inc. s mandatorily redeemable Series B preferred shares on March 30, 2006 as described in note 17(a) to our consolidated financial statements. Changes in the redemption value of the Series B preferred shares were charged to interest expense prior to the amendment date. In 2007, the accretion of redeemable preferred shares amounted to $2.5 million of interest expense, compared to $34.7 million in 2006 which related to both accretion and change in redemption value of mandatory redeemable preferred shares. In addition, as a result of the repurchase of the pre-amalgamated North American Energy Partners Inc. s Series A preferred shares, $0.6 million of additional interest expense was recognized for 2007, in order to accrete up to the full redemption value of $1.0 million for these preferred shares. On November 28, 2006, each Series B preferred share was exchanged for 100 common shares of NACG Holdings Inc. On exchange, the carrying amount of the preferred shares, $44.7 million, was reclassified to common stock.

Substantially all of the $5.0 million foreign exchange gain recognized in 2007 relates to the exchange difference between the Canadian and U.S. dollar on conversion of the US$60.5 million of 9% senior secured notes (subsequently retired on November 28, 2006) and the US$200.0 million of 8 3/4% senior notes.

We recorded a $0.2 million realized and unrealized gain on derivative financial instruments in 2007, compared to a $14.7 million realized and unrealized loss in 2006. We employ derivative financial instruments to

43

Table of Contents

Index to Financial Statements

provide an economic hedge for our 8 3/4% senior notes. The subsequent gain or loss reflects changes in the fair value of these derivatives. See Liquidity and Capital Resources Liquidity Requirements for further information regarding these derivative financial instruments.

We recognized a 2007 gain of $9.4 million on the repurchase of $27.0 million of the $35.0 million of NACG Preferred Corp. Series A preferred shares and related forfeited dividends of $1.4 million. Upon retiring the 9% senior secured notes, we recorded a loss of $10.9 million, which includes a $6.3 million loss on extinguishment of the notes, a $4.3 million write-off of deferred financing fees and related transaction costs of $0.3 million.

We recorded an income tax recovery of $2.6 million in 2007, compared to an income tax expense of $0.7 million for 2006. The effective rate is significantly lower than the statutory tax rate, primarily due to the impact of the enacted rate changes during the year, the reversal of the valuation allowance that existed at March 31, 2006 and the net impact of permanent differences relating to various income (charges) recognized for accounting purposes related to mandatorily redeemable shares and other financing transactions which were non-taxable. Income tax expense in the prior year primarily reflects the federal large corporation tax, which is a form of minimum tax, as a full valuation allowance was recorded against our net future tax asset given the uncertainty of recognizing the benefit of the net future tax asset at the end of 2006.

Fiscal Year Ended March 31, 2006 Compared to Fiscal Year Ended March 31, 2005

Our total interest expense increased by $37.6 million in 2006 compared to 2005, primarily due to interest charges of $34.7 million resulting from the issuance in May 2005 of the pre-amalgamated North American Energy Partners Inc. s mandatorily redeemable Series B preferred shares and a $5.9 million increase in interest on long-term debt resulting from the issuance in May 2005 of the pre-amalgamated North American Energy Partners Inc. s 9% senior secured notes. These increases in interest expense were partially offset by decreased interest expense resulting from the full repayment in May 2005 of the borrowings under the pre-amalgamated North American Energy Partners Inc. s senior secured credit facility.

Substantially all of the $14.0 million foreign exchange gain recognized in 2006 relates to the exchange difference between the Canadian and U.S. dollar on conversion of the US$60.5 million of 9% senior secured notes and the US$200.0 million of 8 3/4% senior notes. By comparison, our 2005 foreign exchange gain related only to the US$200.0 million of 8 3/4% senior notes.

In 2006, we recorded a $14.7 million realized and unrealized loss on derivative financial instruments relating to the change in the fair value of these derivatives. By comparison, we recorded a realized and unrealized loss of $43.1 million on our derivative financial instruments in 2005. See Liquidity and Capital Resources Liquidity Requirements for further information regarding the derivative financial instruments.

We recognized a loss on extinguishment of debt of $2.1 million in 2006 as a result of $0.3 million of issue costs related to the pre-amalgamated North American Energy Partners Inc. s Series A preferred shares and the write off of deferred financing fees of $1.8 million resulting from the May 2005 repayment of the pre-amalgamated North American Energy Partners Inc. s senior secured credit facility.

We recorded an income tax expense of $0.7 million in 2006, compared to a net income tax recovery of $2.3 million in 2005. Income tax expense primarily reflects only the federal large corporation tax, which was a form of minimum tax, as a full valuation allowance was recorded against our net future tax asset given the uncertainty of recognizing the benefit of the net future tax asset at the end of 2006.

Comparative Quarterly Results

A number of factors contribute to variations in our quarterly results between periods, including weather, customer capital spending on large oil sands and natural gas related projects, our ability to manage our project

Table of Contents

Index to Financial Statements

related business so as to avoid or minimize periods of relative inactivity and the strength of the western Canadian economy.

We generally experience a decline in revenues during the first quarter of each fiscal year due to seasonality, as weather conditions make operating during this period difficult. The level of activity in the Mining and Site Preparation and Pipeline segments declines when frost leaves the ground and many secondary roads are temporarily rendered incapable of supporting the weight of heavy equipment. The duration of this period is referred to as spring breakup and it has a direct impact on our activity levels. Revenues during the fourth quarter 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 of any particular quarter or combination of quarters.

	Fiscal Year 2007				Fiscal Year 2006			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	(Dollars in millions, except per share amounts)							
Revenue	$ 205.3	$ 155.9	$ 130.1	$ 138.1	$ 142.3	$ 121.5	$ 124.0	$ 104.4
Gross profit	13.6	26.0	20.2	32.6	31.7	13.8	21.9	12.9
Operating income	4.5	13.8	9.7	23.1	22.4	5.9	15.9	5.2
Net income (loss)	1.4	6.6	(4.8)	17.9	13.7	2.1	11.5	(49.2)
EPS basic(1)	0.04	0.27	(0.26)	0.96	0.73	0.11	0.62	(2.65)
EPS diluted(1)	0.04	0.26	(0.26)	0.71	0.73	0.11	0.47	(2.65)
Equipment hours	268,565	239,341	236,711	248,297	231,633	221,355	234,649	185,751

(1) Net 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.

Three Months Ended March 31, 2007 Compared to Three Months Ended March 31, 2006

Consolidated Results

For the fourth quarter ended March 31, 2007, our consolidated revenue increased to $205.3 million, from $142.3 million in 2006. This $63.0 million, or 44.3%, increase was primarily due to increased project work at Albian s Jackpine Mine in the Mining and Site Preparation segment, as well as growth in our Pipeline division.

Gross profit decreased by 56.9% to $13.6 million in 2007, from $31.7 million in 2006, as a result of project losses in the Pipeline segment, a $3.6 million asset impairment charge and higher equipment operating expenses. Equipment costs were driven by higher activity levels, significant increases in tire costs and increased shop labour and overhead. Operating lease expense decreased in the fourth quarter of 2007 due to the buyout of numerous leases as part of the proceeds from the IPO. As a result of the pipeline losses, asset impairment charge and higher equipment operating costs, gross profit as a percentage of revenue was 6.6% in 2007, compared to 22.3% in 2006.

Operating income for the fourth quarter ended March 31, 2007 decreased to $4.5 million, from $22.4 million in 2006. This $17.9 million, or 79.9%, decrease was due to the reduction in gross profit discussed above. General and administrative costs remained largely unchanged in the fourth quarter ended March 31, 2007 as increased stock compensation expense was offset by decreased employee costs.

Segmented Results

Mining and Site Preparation revenue for the fourth quarter ended March 31, 2007 increased 48.9% to $150.1 million in 2007, from $100.9 million in 2006. The growth in revenue was primarily due to higher oil sands and mining activity relating to large site preparation projects at Albian, continued ramp up on the CNRL overburden removal project and increased project work at the De Beers Canada Victor Diamond Mine in northern Ontario.

Table of Contents

Index to Financial Statements

Piling revenue for the fourth quarter ended March 31, 2007 increased 6.2% to $29.9 million, from $28.1 million in 2006. This increase was primarily due to higher volume of construction projects in the Fort McMurray region and a large project in the Edmonton region. Pipeline revenue increased 91.0% to $25.4 million, from $13.3 million in 2006, as a result of a large pipeline project for Suncor.

Segment profit from our Mining and Site Preparation activities decreased 0.6%, to $23.5 million, from $23.6 million in 2006. Increased revenues and a claim settlement related to a large site preparation project completed in fiscal 2006, was entirely offset by margin reductions on a large site preparation project in the fourth quarter of 2007. Challenging soil and water conditions on this project resulted in the recognition of $4.7 million in additional costs, with no associated revenue. We are actively negotiating change orders with the client relating to these changed conditions. Fourth quarter Piling segment profit increased 6.1% to $8.8 million in 2007, from $8.3 million in 2006, reflecting the impact of increased volume. Our Pipeline segment recorded a loss of $9.8 million for the fourth quarter ended March 31, 2007, compared to a profit of $3.9 million in 2006. This change in profitability reflects the negative impact of increased scope, condition changes and difficult weather conditions on a large pipeline project that resulted in $8.0 million of additional costs being recognized during the quarter without any associated revenue. We are in the process of requesting change orders from our customers to recover all or a portion of these additional costs, but did not meet the criteria to recognize this revenue for the fourth quarter ended March 31, 2007.

Consolidated Financial Position

	March 31, 2007	March 31, 2006 (Dollars in thousands)	% Change
Current assets	$ 229,061	$ 161,628	41.7%
Current liabilities	(148,789)	(92,096)	61.6
Working capital	80,272	69,532	15.4
Plant and equipment	255,963	184,562	38.7
Total assets	710,736	568,682	25.0
Capital lease obligations (including current portion)	(9,709)	(10,952)	(11.3)
Total long-term financial liabilities	(297,957)	(453,092)	(34.2)

At March 31, 2007, we had net working capital (current assets less current liabilities) of $80.3 million, compared to $69.5 million at March 31, 2006. The increase in working capital resulted from an increase in accounts receivable and unbilled revenue as a result of increased projects in process, partially offset by a reduction of cash due to capital equipment purchases and an increase in borrowings from our secured credit facility.

Plant and equipment, net of depreciation, increased by $71.4 million from March 31, 2006 to March 31, 2007 primarily as a result of the acquisition of several large mining trucks and the buyout of certain leased equipment using the proceeds of the initial public offering.

Capital lease obligations, including the current portion, decreased by $1.2 million from March 31, 2006 to March 31, 2007 due to required repayments, the sale of a drill rig and repayment of the associated obligations, partially offset by the addition of new vehicles acquired by means of capital lease.

Total long-term financial liabilities are determined as non-current liabilities, excluding current portion of capital lease obligations and future income taxes. The decrease in 2007 is primarily as a result of the amalgamation and the initial public offering, as described in Business Reorganization and Initial Public Offering.

Table of Contents

Index to Financial Statements

Liquidity and Capital Resources

	Year Ended March 31,		
	2007	2006	2005
	(Dollars in thousands)		
Cash provided by (used in) operating activities	$ 10,052	$ 35,092	$ (5,673)
Cash used in investing activities	(107,972)	(23,396)	(24,215)
Cash provided by financing activities	63,011	13,184	11,217
Net increase (decrease) in cash and cash equivalents	$ (34,909)	$ 24,880	$ (18,671)

Operating activities

Operating activities in 2007 resulted in a net increase in cash of $10.1 million, compared to an increase of $35.1 million in 2006 and a decrease of $5.7 million in 2005. The lower cash generated in 2007 compared to 2006 is the result of movements in net non-cash working capital from increased accounts receivable balances and tire purchases including deposits on tire purchases. The higher cash generated in 2006 compared to 2005 reflects improved earnings performance and the increased add back of non-cash items related to unrealized gains or losses on financial instruments and movements in future income taxes.

Investing activities

Sustaining capital expenditures are those that are required to keep our existing fleet of equipment at its optimal useful life through capital maintenance or replacement. Growth capital expenditures relate to equipment additions required to perform larger or a greater number of projects.

During 2007, we invested $7.6 million in sustaining capital expenditures (2006 $7.4 million; 2005 $7.5 million) and invested $102.4 million in growth capital expenditures (2006 $21.5 million; 2005 $17.3 million), for total capital expenditures of $110.0 million (2006 $28.9 million; 2005 $24.8 million). The significant increase in 2007 growth capital expenditures compared to the previous two years reflects the purchase of certain leased equipment for $44.6 million using a portion of the net proceeds of our initial public offering and the purchase of several large trucks to accommodate the increasing volume of available work.

Financing activities

Financing activities in 2007 resulted in a cash inflow of $63.0 million primarily provided by the $152.6 million of net proceeds of our initial public offering as described in the following paragraph, partially offset by the repayment of our 9% senior secured notes. Financing activities during 2006 resulted in net cash inflow of $13.2 million. This inflow reflects proceeds received from our May 19, 2005 issuance of the US$60.5 million of 9% senior secured notes and $7.5 million of Series B preferred shares of the pre-amalgamated North American Energy Partners Inc. A portion of the proceeds from these issues was used to repay the amount outstanding under our senior secured credit facility at the time. Financing activities during 2005 resulted in a net cash inflow of $11.2 million, which related primarily to net borrowings under our revolving credit facility and repayment of capital lease obligations.

In connection with our initial public offering on November 28, 2006, we received net proceeds of $152.6 million (gross proceeds of $171.2 million, less underwriting discounts and commissions and offering expenses of $18.5 million). We used net proceeds from the offering to purchase certain equipment under operating leases for $44.6 million, to repurchase all of our outstanding 9% senior secured notes for $74.7 million plus accrued interest of $3.0 million, to repay the $27.0 million promissory note issued in respect of the repurchase of the NACG Preferred Corp. Series A preferred shares and to pay the $2.0 million fee to terminate the advisory services agreement with the sponsors.

Table of Contents

Index to Financial Statements

Liquidity Requirements

Our primary uses of cash are for plant and equipment purchases, to fulfill debt repayment and interest payment obligations and to finance working capital requirements.

Our long-term debt includes US$200 million of 8 3/4% senior notes due in 2011. The foreign currency risk relating to both the principal and interest payments on these senior notes has been managed with a cross-currency swap and interest rate swaps, which went into effect concurrent with the issuance of the notes on November 26, 2003. Interest totaling $13.0 million on the 8 3/4% senior notes and the swap is payable semi-annually in June and December of each year until the notes mature on December 1, 2011. The swap agreements are an economic hedge, but have not been designated as a hedge for accounting purposes. There are no principal repayments required on the 8 3/4% senior notes until maturity.

On November 28, 2006, we repurchased all of the outstanding 9% senior secured notes due in 2010 with a portion of the net proceeds from our initial public offering as described above.

One of our major customer contracts allows the customer to require that we provide up to $50 million in letters of credit. As at March 31, 2007, we had provided $25.0 million in letters of credit in connection with this contract. Any increase in the value of the letters of credit required by this customer must be requested by November 1, 2007 for an issue date of January 1, 2008.

We maintain a significant equipment and vehicle fleet comprised of units with various remaining useful lives. Once units reach the end of 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 to replace retired units and to support growth as new projects are awarded to us. It is important to adequately maintain a 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. In order to maintain a balance of owned and leased equipment, we have financed a portion of our large pieces of heavy construction equipment through operating leases. In addition, we continue to lease our motor vehicle fleet.

Our cash requirements during 2007 increased due to continued growth and additional operating and capital expenditures associated with new projects. Our cash requirements for fiscal 2008 include funding operating lease obligations, debt and interest repayment obligations and working capital.

We expect our sustaining capital expenditures to range from $35.0 million to $45.0 million per year over the next two years. We expect our total capital expenditures in fiscal 2008 to range from $75.0 million to $85.0 million. It is our belief that working capital will be sufficient to meet these requirements.

Sources of Liquidity

Our principal sources of cash are funds from operations and borrowings under our revolving credit facility. On June 7, 2007, our amended and restated revolving credit facility was modified to provide for borrowings of up to $125.0 million under which revolving loans and letters of credit may be issued. Our previous revolving credit facility was subject to borrowing base limitations, under which revolving loans and letters of credit up to a limit of $55.0 million could have been issued. As of March 31, 2007, we had approximately $9.5 million of available borrowings under the revolving credit facility after taking into account $20.5 million of borrowings and $25.0 million of outstanding and undrawn letters of credit to support performance guarantees associated with customer contracts. The indebtedness under the revolving credit facility is secured by a first priority lien on substantially all of our existing and after-acquired property.

Our revolving credit facility contains covenants that restrict our activities, including, but not limited to, incurring additional debt, transferring or selling assets and making investments, including acquisitions. Under the

Table of Contents

Index to Financial Statements

revolving credit facility, Consolidated Capital Expenditures (as defined in the credit agreement) during any applicable period cannot exceed 120% of the amount in the capital expenditure plan. In addition, we are also 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 well as a minimum current ratio.

Consolidated EBITDA is defined in the credit facility as the sum, without duplication, of (1) consolidated net income, (2) consolidated interest expense, (3) provisions for taxes based on income, (4) total depreciation expense, (5) total amortization expense, (6) costs and expenses incurred by us in entering into the credit facility, (7) accrual of stock-based compensation expense to the extent not paid in cash or if satisfied by the issue of new equity, and (8) other non-cash items (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 (2)-(8), to the extent deducted in the calculation of consolidated net income, less 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 Canadian GAAP.

Interest coverage is determined based on a ratio of Consolidated EBITDA to consolidated cash interest expense, and the senior leverage is determined as a ratio of senior debt to Consolidated EBITDA. Measured as of the last day of each fiscal quarter on a trailing four-quarter basis, Consolidated EBITDA shall not be less than 2.5 times consolidated cash interest expense (2.35 times at June 30, 2007). Also, measured as of the last day of each fiscal quarter on a trailing four-quarter basis, senior leverage shall not exceed 2.0 times Consolidated EBITDA. We believe Consolidated EBITDA as defined in the credit facility is an important measure of our liquidity.

Backlog

Backlog is a measure of the amount of secured work we have outstanding and as such is an indicator of future revenue potential. Backlog is not a GAAP measure and as a result, the definition and determination 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 did not measure this amount before fiscal 2007.

We define backlog as that work that has a high certainty of being performed as evidenced by the existence of a signed contract or work 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.

We work with our customers using cost-plus, time-and-materials, unit-price and lump-sum contracts, and the mix of contract types varies year-by-year. For 2007, our contract revenue consisted of 6% cost-plus, 28% time-and-materials, 53% unit-price and 13% lump-sum. Our definition of backlog results in the exclusion of cost-plus and time-and-materials contracts performed under master service agreements. While contracts exist for a range of services to be provided, the work scope and value are not clearly defined under those contracts. For 2007, the total amount of all cost-plus and time-and-materials based revenue was $220.9 million (34% of total revenues).

Our estimated backlog as at March 31, 2007 was (in millions):

By Segment		**By Contract Type**	
Mining & Site Preparation	$ 732.0	Unit-Price	$ 778.0
Piling	40.0	Lump-Sum	10.0
Pipeline	16.0	Time-and-Materials, Cost-Plus	
Total	$ 788.0	Total	$ 788.0

Table of Contents

Index to Financial Statements

A contract with a single customer represented approximately $680 million of the March 31, 2007 backlog. It is expected that approximately $255 million of the backlog will be performed and realized in fiscal 2008.

Claims and Unapproved 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:

- client requirements, specifications and design;
- materials and work schedules; and
- changes in anticipated 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 management 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 the client or specific criteria for the recognition of revenue from unapproved change orders and claims 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 as a claim. Historical claim recoveries should not be considered indicative of future claim recoveries.

As a result of changed conditions discussed above, we have recognized $18 million in additional contract costs from a number of contracts for the year ended March 31, 2007, with no associated increase in contract value. We are working with our customers to come to resolution on the amounts, if any, to be paid to us in respect to these additional costs.

Stock-Based Compensation

Some of our directors, officers, employees and service providers have been granted options to purchase common shares under the Amended and Restated 2004 Share Option Plan. In June and September 2006, we granted 127,760 and 187,760 options, respectively, with an exercise price of $5.00 and $16.75 per share, respectively. In September 2006, we had a valuation performed by an unrelated valuation specialist, which valued our common shares at $16.10 per share. The plan and outstanding balances are disclosed in note 25 to our consolidated financial statements.

Impairment of Goodwill

In accordance with Canadian Institute of Chartered Accountants Handbook Section 3062, Goodwill and Other Intangible Assets, we review our goodwill for impairment annually or whenever events or changes in circumstances suggest that the carrying amount may not be recoverable. We are required to test our goodwill for impairment at the reporting unit level and we have determined that we have three reporting units. The test for goodwill impairment is a two-step process:

- Step 1 We compare the carrying amount of each reporting unit to its fair value. If the carrying amount of a reporting unit exceeds its fair value, we have to perform the second step of the process. If not, no further work is required.

Step 2 We compare the implied fair value of each reporting unit s goodwill to its carrying amount. If the carrying amount of a reporting unit s goodwill exceeds its fair value, an impairment loss will be recognized in an amount equal to that excess.

Table of Contents

Index to Financial Statements

We completed Step 1 of this test during the quarter ended December 31, 2006 and were not required to record an impairment loss on goodwill. We conduct our annual assessment of goodwill in December of each year.

Internal Control over Financial Reporting

In the course of preparing our fiscal 2007 financial statements, we identified a number of material weaknesses in our internal control over financial reporting. A control deficiency is a material weakness in internal control over financial reporting if the deficiency, or a combination of control deficiencies, is such that there is a reasonable possibility a material misstatement of our consolidated financial statements will not be prevented or detected.

We noted the following material weaknesses in internal control over financial reporting as at March 31, 2007:

- Revenue recognition A formal process to track claims and unapproved change orders and sufficient monitoring controls over the completeness and accuracy of forecasts, including the consideration of project changes subsequent to the end of each reporting period, were not effectively implemented. The accounts that could potentially be affected by these deficiencies are revenue, project costs and their related accounts.

- Income taxes There was a lack of review and monitoring controls as well as a lack of segregation of duties within the income tax function. The accounts that could potentially be affected by these deficiencies are future income tax assets, future income tax liabilities and future income tax expense.

- Accounts payable and procurement We did not have an effectively implemented procurement process to track purchase commitments, reconcile vendor accounts and accurately accrue costs not invoiced by vendors at each reporting date. The accounts that could potentially be affected by these deficiencies are accounts payable, accrued liabilities, project costs, unbilled revenue, equipments costs, general and administrative costs and other expenses.

- IT General Controls (ITGCs) A number of deficiencies in ITGCs existed, including appropriate controls around spreadsheets and end user computing, controls over access and accuracy of one of our systems, as well as general maintenance of access rights and nominal program change controls. When aggregated, these deficiencies represented a material weakness in internal control over financial reporting.

In anticipation of providing an annual report on internal control over financial reporting as of March 31, 2008, management is currently evaluating the effectiveness of our system of internal control over financial reporting based on the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Changes in Internal Control over Financial Reporting

We have begun addressing these deficiencies through the implementation of the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 in the United States and Multilateral Instrument 52-109 in Canada. We are in the remediation phase of a procurement project in which we implemented the purchase order functionality in our financial systems and trained our staff in the effective use of purchase orders to track our commitments and to record our expenses in a timely manner. We are implementing and testing a project controls improvement initiative over the claims and unapproved change orders process, as well as the completeness and accuracy of project forecasts. We are also in the final stages of upgrading our enterprise resource management software, which includes addressing the ITGC deficiencies noted above.

We have added to our finance staff, and in particular we now have in-house Canadian GAAP expertise and a working knowledge of U.S. GAAP, which is supplemented by outside expertise. We have created a Corporate

Table of Contents

Index to Financial Statements

Controller position and added a Corporate Accounting Manager and Tax Manager. In addition, we have instituted standardized procedures for financial reporting and review, including the procedures by which general ledger transactions are closed, reviewed and consolidated.

Our target is to complete the above changes by March 31, 2008, the date as of which we will be required to provide management s report on the effectiveness of internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002. Because most of the costs of implementing the above changes to internal control over financial reporting have been incurred in anticipation of providing such report or due to required systems upgrades, we have not incurred and do not expect to incur material costs in connection with implementing corrective actions to correct identified internal control deficiencies.

Critical Accounting Estimates

Certain accounting policies require management to make significant estimates and assumptions about future events that affect the amounts reported in our financial statements and the accompanying notes. Therefore, the determination of estimates requires the exercise of management s judgment. Actual results could differ from those estimates, and any differences may be material to our financial statements.

Revenue recognition

Our contracts with customers fall under the following contract types: cost-plus, time-and-materials, unit-price and lump-sum. While contracts are generally less than one year in duration, we do have several long-term contracts. The mix of contract types varies year-by-year. For the year ended March 31, 2007, our contracts consisted of 6% cost-plus, 28% time-and-materials, 53% unit-price and 13% lump-sum.

Profit for each type of contract is included in revenue when its realization is reasonably assured. Estimated contract losses are recognized in full when determined. Claims and unapproved change orders are included in total estimated contract revenue, only to the extent that contract costs related to the claim or unapproved change order have been incurred, when it is probable that the claim or unapproved change order will result in a bona fide addition to contract value and the amount of revenue can be reliably estimated.

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 unit-price and lump-sum project. Our cost estimates use a detailed bottom up approach. We believe our experience allows us to produce materially reliable estimates. However, our projects can be highly complex, and in almost every case, the profit margin estimates for a project will either increase or decrease to some extent from the amount that was originally estimated at the time of the related bid. Because we have many projects of varying levels of complexity and size in process at any given time, these changes in estimates can offset each other without materially impacting our profitability. However, sizable changes in cost estimates, particularly in larger, more complex projects, can have a significant effect on profitability.

Factors that can contribute to changes in estimates of contract cost and profitability include, without limitation:

- site conditions that differ from those assumed in the original bid, to the extent that contract remedies are unavailable;
- identification and evaluation of scope modifications during the execution of the project;
- the availability and cost of skilled workers in the geographic location of the project;
- the availability and proximity of materials;
- unfavorable weather conditions hindering productivity;

- equipment productivity and timing differences resulting from project construction not starting on time; and

- general coordination of work inherent in all large projects we undertake.

The foregoing factors, as well as the stage of completion of contracts in process and the mix of contracts at different margins, may cause fluctuations in gross profit between periods, and these fluctuations may be significant.

Table of Contents

Index to Financial Statements

Plant and equipment

The most significant estimate in accounting for plant and equipment is the expected useful life of the asset and the expected residual value. Most of our property, plant and equipment have long lives which can exceed 20 years with proper repair work and preventative maintenance. Useful life is measured in operated 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.

Another key estimate is the expected cash flows from the use of an asset and the expected disposal proceeds in applying Canadian Institute of Chartered Accountants Handbook Section 3063, Impairment of Long-Lived Assets and Section 3475, Disposal of Long-Lived Assets and Discontinued Operations. These standards require 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. An impairment loss, if any, is determined as the excess of the carrying value of the asset over its fair value.

Goodwill

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 values 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.

Derivative financial instruments

Our derivative financial instruments are not designated as hedges for accounting purposes and are recorded on the balance sheet at fair value, which is determined based on values quoted by the counterparties to the agreements. The primary factors affecting fair value are the changes in the interest rate term structures in the United States and Canada, the life of the swap and the CAD/USD foreign exchange spot rate.

Recently Adopted Canadian Accounting Pronouncements

Conditional asset retirement obligations

In November 2005, the CICA issued Emerging Issues Committee Abstract No. 159, Conditional Asset Retirement Obligations (EIC-159) to clarify the accounting treatment for a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Under EIC-159, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the obligation can be reasonably estimated. The guidance is effective April 1, 2006, although early adoption is permitted and is to be applied retroactively, with restatement of prior periods. We adopted this standard in fiscal 2006, and the adoption did not have a material impact on our consolidated financial statements.

Stock-based compensation for employees eligible to retire before the vesting date

In July 2006, the CICA Emerging Issues Committee issued Abstract No. 162, Stock-Based Compensation for Employees Eligible to Retire Before the Vesting Date (EIC-162). EIC-162 requires that the compensation cost attributable to awards granted to employees eligible to retire at the grant date should be recognized on the grant date if the award s exercisability does not depend on continued service. Additionally, awards granted to employees who will become eligible to retire during the vesting period should be recognized over the period from the grant date to the date the employee becomes eligible to retire. We adopted this standard for the interim period ended December 31, 2006 retroactively, with restatement of prior periods for all stock-based compensation awards. The adoption of this standard had no impact on our consolidated financial statements.

Table of Contents

Index to Financial Statements

Determining the variability to be considered in applying the VIE standards

In September 2006, the CICA issued Emerging Issues Committee Abstract No. 163, Determining the Variability to be Considered in Applying AcG-15 (EIC-163). This guidance provides additional clarification on how to analyze and consolidate a VIE. EIC-163 concludes that the by-design approach should be the method used to assess variability (that is created by risks the entity is designed to create and pass along to its interest holders) when applying the VIE standards. The by-design approach focuses on the substance of the risks created over the form of the relationship. The guidance may be applied to all entities (including newly created entities) with which an enterprise first becomes involved and to all entities previously required to be analyzed under the VIE standards when a reconsideration event has occurred and is effective for interim and annual periods beginning on or after January 1, 2007. The adoption of this standard did not have a material impact on our consolidated financial statements.

Recent Canadian accounting pronouncements not yet adopted

Financial instruments

In January 2005, the CICA issued Handbook Section 3855, Financial Instruments Recognition and Measurement, Handbook Section 1530, Comprehensive Income, and Handbook Section 3865, Hedges. The new standards are effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2006, specifically April 1, 2007 for us. The new standards will require presentation of a separate statement of comprehensive income under specific circumstances. Foreign exchange gains and losses on the translation of the financial statements of self-sustaining subsidiaries previously recorded in a separate section of shareholder s equity will be presented in comprehensive income. Derivative financial instruments will be recorded in the balance sheet at fair value and the changes in fair value of derivatives designated as cash flow hedges will be reported in comprehensive income. We are currently assessing the impact of the new standards.

Effective April 1, 2007, we will also be required to adopt CICA Handbook Section 3861, Financial Instruments Disclosure and Presentation (CICA 3861), which requires entities to provide disclosures in their financial statements that enable users to evaluate: (1) the significance of financial instruments on the entity s financial performance; and (2) the nature and extent of risks arising from the use of financial instruments by the entity during the period and at the balance sheet date, and how the entity manages those risks. We are currently assessing the impact of this standard.

In March 2007, the CICA issued Handbook Section 3862, Financial Instruments Disclosures, which replaces CICA 3861 and provides expanded disclosure requirements that provide additional detail by financial assets and liability categories. This standard harmonizes disclosures with International Financial Reporting Standards. The standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically April 1, 2008 for us. We are currently evaluating the impact of this standard.

In March 2007, the CICA issued Handbook Section 3863, Financial Instruments Presentation, to enhance financial statement users understanding of the significance of financial instruments to an entity s financial position, performance and cash flows. This Section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, gains and losses, and the circumstances in which financial assets and financial liabilities are offset. This standard harmonizes disclosures with International Financial Reporting Standards and applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically April 1, 2008 for us. We are currently evaluating the impact of this standard.

Equity

Effective April 1, 2007, we will adopt CICA Handbook Section 3251, Equity, which establishes standards for the presentation of equity and changes in equity during the reporting period. The requirements in this section

Table of Contents

Index to Financial Statements

are in addition to those of CICA Handbook Section 1530 and recommend that an enterprise should present separately the following components of equity: retained earnings, accumulated other comprehensive income, and the total for retained earnings and accumulated other comprehensive income, contributed surplus, share capital and reserves. We are currently evaluating the impact of this standard.

Accounting changes

In July 2006, the CICA revised Handbook Section 1506, Accounting Changes, which requires that: (1) voluntary changes in accounting policy are made only if they result in the financial statements providing reliable and more relevant information; (2) changes in accounting policy are generally applied retrospectively; and (3) prior period errors are corrected retrospectively. This revised standard is effective for fiscal years beginning on or after January 1, 2007, specifically April 1, 2007 for us, and is not expected to have a material impact on our consolidated financial statements.

Capital disclosures

In December 2006, the CICA issued Handbook Section 1535, Capital Disclosures. This standard requires that an entity disclose information that enables users of its financial statements to evaluate an entity s objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically April 1, 2008 for us. We are currently evaluating the impact of this standard.

Inventories

In June 2007, the CICA issued Handbook Section 3031, Inventories, to harmonize accounting for inventories under Canadian GAAP with International Financial Reporting Standards. This standard requires the measurement of inventories at the lower of cost and net realizable value and includes guidance on the determination of cost, including allocation of overheads and other costs to inventory. The standard also requires the consistent use of either first-in, first out (FIFO) or weighted average cost formula to measure the cost of other inventories and requires the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008, specifically April 1, 2008 for us. We are currently evaluating the impact of this standard.

U.S. Generally Accepted Accounting Principles

Our consolidated financial statements have been prepared in accordance with Canadian GAAP, which differs in certain material respects from U.S. GAAP. The nature and effect of these differences are set out in note 27 to our consolidated financial statements.

United States accounting pronouncements recently adopted

Statement of Financial Accounting Standards No. 123R, Share-Based Payment (SFAS 123R) requires companies to recognize in the income statement, the grant-date fair value of stock options and other equity-based compensation issued to employees. The fair value of liability-classified awards is remeasured subsequently at each reporting date through the settlement date, while the fair value of equity-classified awards is not subsequently remeasured. The revised standard is effective for non-public companies beginning with the first annual reporting period that begins after December 15, 2005, which in our case is the period beginning April 1, 2006. We have used the fair value method under Statement 123 since its inception. We adopted SFAS 123R prospectively since we use the minimum value method for purposes of complying with Statement 123. The adoption of this standard did not have a material impact on our consolidated financial statements.

Table of Contents

Index to Financial Statements

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154, Accounting Changes and Error Corrections (SFAS 154), which replaces Accounting Principles Board Opinion No. 20, Accounting Changes, and Statement of Financial Accounting Standards No. 3, Reporting Accounting Changes in Interim Financial Statements An Amendment of APB Opinion No. 28. SFAS 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application, or the latest practicable date, as the required method for reporting a change in accounting principle and the reporting of a correction of an error. SFAS 154 was effective for us for accounting changes and corrections of errors made by us in our fiscal year beginning on April 1, 2006. The adoption of this standard did not have a material impact on our consolidated financial statements.

In September 2006, the SEC issued Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements (SAB 108). SAB 108 provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. It establishes an approach that requires quantification of financial statements misstatements based on the effects of the misstatements on each of our financial statements and the related financial statement disclosures. SAB 108 was effective for our annual financial statements for the fiscal year ending March 31, 2007. The adoption of this standard did not have a material impact on our consolidated financial statements.

Recent United States accounting pronouncements not yet adopted

Statement of Financial Accounting Standards No. 155, Accounting for Certain Hybrid Financial Instruments an amendment of FASB Statements No. 133 and 140 (SFAS 155) was issued February 2006. This statement is effective for all financial instruments acquired, issued, or subject to a remeasurement (new basis) event occurring after the beginning of an entity s first fiscal year that begins after September 15, 2006. The fair value election provided for in paragraph 4(c) of this statement may also be applied upon adoption of this statement for hybrid financial instruments that had been bifurcated under paragraph 12 of Statement 133 prior to the adoption of this statement. This states that an entity that initially recognizes a host contract and a derivative instrument may irrevocably elect to initially and subsequently measure that hybrid financial instrument, in its entirety, at fair value with changes in fair value recognized in earnings. SFAS 155 is applicable for all financial instruments acquired or issued in our 2008 fiscal year although early adoption is permitted. We are currently reviewing the impact of this statement.

In June 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109 (FIN 48) which clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition requirements. FIN 48 is effective for our 2008 fiscal year. We are currently reviewing the impact of this Interpretation.

In May 2007, the FASB issued FASB Staff Position No. FIN 48-1, Definition of Settlement in FASB Interpretation No. 48, which provides guidance on how an enterprise should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. This FASB Staff Position is effective upon the initial adoption of FIN 48, and we are currently reviewing the impact of this guidance.

Statement of Financial Accounting Standards No. 157, Fair Value Measurement (SFAS 157) was issued September 2006. The Statement provides guidance for using fair value to measure assets and liabilities. The statement also expands disclosures about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurement on earnings. This statement applies under other accounting pronouncements that require or permit fair value measurements. This

Table of Contents

Index to Financial Statements

statement does not expand the use of fair value measurements in any new circumstances. Under this statement, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the entity transacts. SFAS 157 is effective for us for fair value measurements and disclosures made by us in our fiscal year beginning on April 1, 2008. We are currently reviewing the impact of this statement.

Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159) was issued in February 2007. The statement permits entities to choose to measure many financial instruments and certain other items at fair value, providing the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without the need to apply hedge accounting provisions. SFAS 159 is effective for fiscal years beginning after November 15, 2007, specifically April 1, 2008 for us, with earlier adoption permitted. We are currently reviewing the impact of this pronouncement.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements in place at this time.

Contractual Obligations

Our principal contractual obligations relate to our long-term debt and capital and operating leases. The following table summarizes our future contractual obligations, excluding interest payments unless otherwise noted, as of March 31, 2007.

	Payments Due by Fiscal Year					
	Total	2008	2009	2010	2011	2012 and After
			(In millions)			
Senior notes (a)	$ 230.6	$	$	$	$	$ 230.6
Capital leases (including interest)	10.7	3.9	3.1	2.1	1.4	0.2
Operating leases	40.6	13.9	13.3	10.3	3.0	0.1
Total contractual obligations	$ 281.9	$ 17.8	$ 16.4	$ 12.4	$ 4.4	$ 230.9

(a) We have entered into cross-currency and interest rate swaps, which represent an economic hedge of the 8 3/4% senior notes. At maturity, we will be required to pay $263.0 million in order to retire these senior notes and the swaps. This amount reflects the fixed exchange rate of C$1.315=US$1.00 established as of November 26, 2003, the inception of the swap contracts. At March 31, 2007 the carrying value of the derivative financial instruments was $60.9 million, inclusive of the interest components.

Quantitative and Qualitative Disclosures About Market Risk
Foreign currency risk

We are subject to currency exchange risk as our 8 3/4% senior notes are denominated in U.S. dollars and all of our revenues and most of our expenses are denominated in Canadian dollars. To manage the foreign currency risk and potential cash flow impact on our $200 million in U.S. dollar-denominated notes, we have entered into currency swap and interest rate swap agreements. These financial instruments consist of three components: a U.S. dollar interest rate swap; a U.S. dollar-Canadian dollar cross-currency basis swap; and a Canadian dollar interest rate swap. The cross-currency and interest rate swap agreements can be cancelled at the counterparty s option at any time after December 1, 2007 if the counterparty pays a cancellation premium. The premium is equal to 4.375% of the US$200 million if exercised between December 1, 2007 and December 1, 2008; 2.1875% if exercised between December 1, 2008 and December 1, 2009; and repurchased at par if cancelled after December 1, 2009.

Table of Contents

Index to Financial Statements

Interest rate risk

We are exposed to interest rate risk on the revolving credit facility, capital lease obligations and certain operating leases with a variable payment that is tied to prime rates. We do not use derivative financial instruments to reduce our exposure to these risks. The estimated financial impact as a result of fluctuations in interest rates is not significant.

Inflation

Inflation has not had a material impact on our operations as many of our contracts contain a provision for annual price increases. Inflation is not expected to have a material impact on our operations in the foreseeable future provided the rate of inflation remains consistent with recent levels and we are able to continue passing cost increases along to our customers.

Table of Contents

Index to Financial Statements

BUSINESS

Our Company

We are a leading resource services provider to major oil and natural gas and other natural resource companies, with a primary focus in the Canadian oil sands. We provide a wide range of mining and site preparation, piling and pipeline installation services to our customers across the entire lifecycle of their projects. We are the largest provider of contract mining services in the oil sands area, and we believe we are the largest piling foundations installer in western Canada. In addition, we believe that we operate the largest fleet of equipment of any contract resource services provider in the oil sands. Our total fleet includes 690 pieces of diversified heavy construction equipment supported by over 660 ancillary vehicles. While our expertise covers heavy earth moving, piling and pipeline installation in any location, we have a specific capability operating in the harsh climate and difficult terrain of the oil sands and northern Canada. By understanding the terrain, having skilled personnel and a diverse, well-maintained and well-positioned fleet, we are able to meet the demands of a growing customer base.

Our core market is the oil sands, where we generated 72% of our fiscal 2007 revenue. The oil sands are located in three regions of northern Alberta: Athabasca, Cold Lake and Peace River. According to the Alberta Energy and Utilities Board, or EUB, Canada s oil sands are estimated to hold 315 billion barrels of ultimately recoverable oil reserves, with established reserves of almost 173 billion barrels as of the end of 2006, second only to Saudi Arabia. According to the Canadian Association of Petroleum Producers, or CAPP, oil sands production of bitumen is expected to increase from 1.1 million barrels per day, or bpd, in 2006 to approximately 3.0 million bpd by 2015 and account for 71% of total Canadian oil output, compared to 43% of output today. In order to achieve this increase in production, the Canadian National Energy Board, or NEB, estimates that approximately $95 billion of capital expenditures by companies operating in the oil sands will be required over the period 2006 to 2015.

Our significant knowledge, experience, equipment capacity and scale of operations in the oil sands differentiates us from our competition. Our principal customers are the major operators in the oil sands, including all three of the producers that currently mine bitumen, being Syncrude Canada Ltd., Suncor Energy Inc. and Albian Sands Energy Inc. (a joint venture among Shell Canada Limited, Chevron Canada Limited and Western Oil Sands Inc.). Canadian Natural Resources Limited, or CNRL, another significant customer, is developing a bitumen-mining project in the oil sands. We provide services to every company in the oil sands that uses surface mining techniques for its production. These surface mining techniques account for over 70% of total oil sands production. We also provide site construction services for in-situ producers, which use horizontally drilled wells to inject steam into deposits and pump bitumen to the surface.

We have long-term relationships with most of our customers. For example, we have been providing services to Syncrude Canada Ltd. and Suncor Energy Inc. since they pioneered oil sands development over 30 years ago. We believe our customers leases have an average remaining productive life of over 35 years. In addition, 34% of our revenues in fiscal 2007 were derived from recurring, long-term contracts, which assists in providing stability in our operations.

We provide services to our customers through three primary segments:

- *Mining and Site Preparation.* Surface mining for oil sands and other natural resources, including overburden removal, hauling sand and gravel and supplying labor and equipment to support customers mining operations; construction of infrastructure associated with mining operations and reclamation activities; clearing, stripping, excavating and grading for mining operations and industrial site construction for mega-projects; and underground utility installation for plant, refinery and commercial building construction;

- *Piling.* Installing all types of driven and drilled piles, caissons and earth retention and stabilization systems for industrial projects primarily focused in the oil sands and related petrochemical or refinery complexes, as well as commercial buildings and infrastructure projects; and

Table of Contents

Index to Financial Statements

Pipeline Installation. Installing transmission and distribution pipe made of various materials for oil, natural gas and water.
As a result of our extensive experience and expertise in the oil sands, we are often engaged at an early stage to help our customers plan and estimate costs to develop oil sands projects which may entail the expenditure of several billions of dollars over the three to four year life of project construction. We provide our customers with information about working in the oil sands, including details about the differential in the cost of undertaking various projects in the summer or the winter, constructability, equipment availability and requirements and availability of labor. Our early stage or first-in involvement in projects gives us the opportunity to demonstrate our capability and insight into our customers plans and schedules, thereby allowing us to achieve greater accuracy in forecasting our future equipment and labor needs. With large trucks costing $3 million to $4 million each, shovels costing up to $20 million each, the global shortage of large truck tires and the lead times for delivery of this equipment extending many months into the future, the insight we gain about future projects facilitates our long-term planning.

For the year ended March 31, 2007, we had total revenue of $629.4 million and operating income of $51.1 million compared to total revenue of $492.2 million and operating income of $49.4 million for the year ended March 31, 2006. The following charts provide our revenues by segment and by end market for the year ended March 31, 2007:

Our History

We were formed in October 2003 in connection with the Acquisition. On October 31, 2003, two of our wholly-owned subsidiaries, as the buyers, entered into a purchase and sale agreement with Norama Ltd. and one of its subsidiaries, as the sellers. On November 26, 2003, pursuant to the purchase and sale agreement, Norama Ltd. sold to the buyers the businesses comprising North American Construction Group in exchange for total consideration of approximately $405.5 million, net of cash received and including the impact of certain post-closing adjustments. The businesses we acquired from Norama Ltd. have been in operation since 1953. Prior to the Acquisition, we had no operations or significant assets, and the Acquisition was primarily a change of ownership of the businesses acquired. Subsequent to the Acquisition, we have operated the businesses in substantially the same manner as prior to the Acquisition.

Table of Contents

Index to Financial Statements

Reorganization and Initial Public Offering

On November 28, 2006, prior to the consummation of our initial public offering discussed below, NACG Holdings Inc. amalgamated 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 voting common shares of the new entity, North American Energy Partners Inc., were the same class of shares sold in our initial public offering and being offered by this prospectus.

On November 28, 2006, prior to the amalgamation, the following transactions took place:

- NACG Holdings Inc. repurchased the Series A preferred shares issued by the pre-amalgamated North American Energy Partners Inc. for their redemption value of $1.0 million and terminated the advisory services agreement with The Sterling Group, L.P., Genstar Capital, L.P., Perry Strategic Capital Inc., and SF Holding Corp. (whom we refer to collectively as the sponsors), under which we had received ongoing consulting and advisory services with respect to the organization of the companies, employee benefit and compensation arrangements, and other matters. We paid the sponsors a fee of $2.0 million to terminate the agreement, which was charged to income in 2007. Under the consulting and advisory services agreement, the sponsors also received a fee of $0.9 million, equal to 0.5% of our aggregate gross proceeds from our initial public offering, which was included in share issue costs.

- The $35.0 million of Series A preferred shares issued by NACG Preferred Corp. were acquired by NACG Holdings Inc. for a $27.0 million promissory note issued to the holders of such shares and the forfeiture of accrued dividends of $1.4 million.

- Each holder of the Series B preferred shares issued by the pre-amalgamated North American Energy Partners Inc. received 100 NACG Holdings Inc. common shares for each Series B preferred share held.

On November 28, 2006, we completed our initial public offering in the United States and Canada of 8,750,000 voting common shares for $18.38 per share (U.S. $16.00 per share). On November 22, 2006, our common shares commenced trading on the New York Stock Exchange and on an if, as and when issued basis on the Toronto Stock Exchange. On November 28, 2006, our common shares became fully tradable on the Toronto Stock Exchange. Net proceeds from the initial public offering were $140.9 million (gross proceeds of $158.5 million, less underwriting discounts and costs and offering expenses of $17.6 million). In addition, on December 6, 2006, the underwriters exercised their option to purchase an additional 687,500 common shares from us. The net proceeds from the exercise of the underwriters option were $11.7 million (gross proceeds of $12.6 million, less underwriting fees of $0.9 million). Total net proceeds were $152.6 million (total gross proceeds of $171.1 million less total underwriting discounts and costs and offering expenses of $18.5 million).

We used the net proceeds from the initial public offering:

- to repurchase all of our outstanding 9% senior secured notes due 2010 for $74.7 million plus accrued interest of $3.0 million on November 28, 2006. The notes were repurchased at a premium of 109.26%, resulting in a loss on extinguishment of $6.3 million and the write-off of deferred financing fees of approximately $4.3 million and third-party transaction costs of $0.3 million. These items were charged to income in 2007;

- to repay the $27.0 million promissory note issued in respect of the repurchase of the NACG Preferred Corp. Series A preferred shares;

- to purchase certain leased equipment for $44.6 million;

to pay the $2.0 million fee required to terminate the advisory services agreement with the sponsors; and

$1.3 million for working capital and general corporate purposes.

61

Table of Contents

Index to Financial Statements

Our Competitive Strengths

We believe our competitive strengths include:

Leading market position

We are the largest provider of contract mining services in the 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 working in the oil sands over 30 years ago. We believe we operate the largest fleet of any contract resource services provider in the oil sands. We are one of only a few companies capable of taking on long-term, large-scale projects with the major operators in the oil sands. In addition, we have extensive experience operating in the challenging working conditions created by the harsh climate and difficult terrain of the oil sands and northern Canada. We believe the combination of our significant size, extensive experience and broad service offerings has allowed us to develop our leading market position and reputation as the service provider of choice in the oil sands. For example, we have recently been selected by CNRL to provide substantial services under several contracts, including a 10-year overburden removal contract.

Large, well-maintained equipment fleet strategically located in the Canadian oil sands

As of March 31, 2007, we had a heavy equipment fleet of over 370 units located in the oil sands, made up of shovels, excavators, trucks and dozers. Many of these units are among the largest pieces of equipment in the world and are designed for use in the largest earthmoving and mining applications globally. In addition, we had over 290 ancillary vehicles located in the oil sands, including small shovels, excavators and trucks, as well as loaders, graders, scrapers, cranes, pipelayers and drill rigs, which allow us to execute a full range of jobs for our customers. Our large, diverse fleet gives us flexibility in scheduling jobs and allows us to be responsive to our customers needs. A well-maintained fleet is critical in the harsh climatic and environmental conditions we encounter. We operate four significant maintenance and repair centers, which are capable of accommodating the largest pieces of equipment in our fleet, on the sites of the major oil sands projects. These factors help us to be more efficient, thereby reducing costs to our customers to further improve our competitive edge, while concurrently increasing our equipment utilization and thereby improving our profitability.

In addition, we have a major repair facility located at our corporate headquarters near Edmonton, Alberta. This facility can perform the same major maintenance and repair activities as those maintenance centers in the oil sands and therefore acts as a back-up facility in the event of peak maintenance or repair requirements for oil sands equipment.

Broad service offering across a project s lifecycle

We provide our customers with resource services to meet their needs across the entire lifecycle of a project. These services include overburden removal, engineering assistance, construction of infrastructure, site grading, piling and pipe installation, day-to-day site maintenance, equipment supply, site upgrading services and land rehabilitation. Given the capital intensive and long-term nature of oil sands projects, our broad service offerings provide us with a competitive advantage and position us to transition from one stage of the project to the next, as we typically have knowledge of a project during its initial planning and budgeting phase. We use this knowledge to help secure contracts during the initial construction of the project as well as plan for recurring and follow-on work. As a result, we have a reputation as a first-in, last-out service provider in the oil sands. For example, we have both removed overburden and reclaimed land for Syncrude.

Long-term customer relationships

We have worked successfully for many years and believe we have well-established relationships with major oil sands and conventional oil and gas producers. These relationships are based on our success in meeting our

Table of Contents

Index to Financial Statements

customers requirements, including strong safety and performance records, a well-maintained, highly capable fleet with specific equipment dedicated to individual customers and a staff of well-trained, experienced supervisors, operators and mechanics. Historically, our largest customers by revenue have included Syncrude Canada Ltd., Suncor Energy Inc. and Albian Sands Energy Inc. We have worked with oil sands mining operators Syncrude, Suncor and Albian since they began operations in the oil sands, which in the case of Syncrude and Suncor was over 30 years ago.

Experienced management team

Our management team has well-established relationships with major oil sands producers and other resource industry leaders in our core markets. We believe that our management team s experience in the resource services and mining industries enhances our ability to accomplish our strategic objectives. The entire management team is focused on further developing our culture of performance and accountability and continuing our tradition of offering high quality service to our customers. In addition, our management and operations teams have the local-level knowledge to identify acquisition opportunities.

Our Strategy

We intend to pursue the following strategies:

Capitalize on growth opportunities in the Canadian oil sands

We intend to build on our market leadership position and successful track record with our customers in the oil sands to benefit from the expected rapid growth in this end market. The NEB estimates that between 2007 and 2015 $8.5 billion to $10.9 billion of annual capital expenditures, for a total of over $86 billion, will be required to achieve expected increases in production. We believe that these planned expenditures will not only allow us to increase our business from current projects but also create opportunities to provide our services to new projects. To capitalize on these opportunities, we plan to continue to add to our equipment fleet. This new equipment will be acquired in regular intervals and, together with our existing fleet, will enable us to compete for new business opportunities in the oil sands as they arise.

Leverage our complementary services

We intend to build on our first-in position to cross-sell other services that we provide. Our complementary service segments, including site preparation, pipeline installation, piling and other mining services allow us to compete for many different forms of business. Given our technical capabilities, performance history and on-site presence, we are well positioned to compete for new business in our service segments. For example, either during or after providing site preparation services to customers, we can often use the specific knowledge of the project to provide other services such as underground pipeline installation or piling work. We are often able to provide these additional services seamlessly and quickly, utilizing existing on-site resources. Unplanned work requirements frequently arise with little notice, which we are well-positioned to execute, given our on-site location and complementary service offerings. For example, during a recent site development project, we were asked with short lead time to install a large diameter water pipeline. We were able to coordinate our site development and pipeline projects such that we began installing pipeline on a completed portion of the site without impacting the site development schedule. Furthermore, we intend to pursue selective acquisition growth opportunities that expand our complementary service offerings.

Increase our recurring revenue base

We provide services both during construction and while the project is in operation. Work required as an integral part of an operating project provides us with the opportunity to perform recurring services for our

Table of Contents

Index to Financial Statements

customers. Over the past several years we have increased our recurring revenues from mining services, including overburden removal, reclamation, road construction and maintenance and surface mining, from 20% of revenues in fiscal 2004 to 34% in fiscal 2007. Oil sands operators needs for these types of services will increase as they expand their operations and as new oil sands operations come on line. We expect to increase the amount of revenues from recurring services to our existing customers. For our planning purposes, we estimate that there are typically annual outsourced operating expenses of approximately 2% to 10% of the total capital expenditures on a mining project.

Leverage long-term relationships with existing customers

Several of our oil sands customers have announced intentions to increase their production capacity by expanding the infrastructure at their sites. We intend to continue to build on our relationships with these and other existing oil sands customers to win a substantial share of the mining and site preparation, piling and pipeline services outsourced in connection with these projects. For example, we worked closely with Albian and its largest shareholder, Shell, at the Muskeg River site during its development in 2001 and we were recently awarded new work on the Jackpine expansion project.

Increase our presence outside of the Canadian oil sands

Canada has significant reserves of various natural resources, including diamonds, uranium, coal and gold. We intend to utilize the expertise we have gained in the oil sands to provide similar services to other natural resource mining companies. For example, we entered into a contract with De Beers in November 2005 to provide site preparation services over a 27-month period at its second diamond mine in Canada. We are actively working with existing customers on additional planning-stage opportunities outside the oil sands.

Enhance operating efficiencies to improve revenue and margins

We have initiated an operational improvement plan focused on implementing systems and process improvements, performance measurement techniques, enhanced communication and improved organizational effectiveness. This plan is designed to enhance our profitability, competitiveness and ability to effectively respond to opportunities in the markets we serve by improving the availability of our equipment through enhanced maintenance, providing the opportunity for increased utilization. Given our large fleet and the industry s shortage of available machinery, we are implementing strategies to increase the utilization of our fleet by deploying our equipment more efficiently to improve revenues. This initiative will also enhance margins by taking advantage of the fixed-cost nature of our equipment. Our maintenance initiative will further improve margins by improving equipment availability and reducing repair time, thereby enabling us to deploy our fleet for longer periods of time and more frequently.

Our Markets

Our business is primarily driven by the demand for our services from the development, expansion and operation of oil sands projects. Decisions by oil sands operators to make capital investments are driven by a number of factors, with one of the most important being the expected long-term price of oil.

Canadian Oil Sands

Oil sands are grains of sand covered by a thin layer of water and coated by heavy oil, or bitumen. Bitumen, because of its structure, 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: 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 in-situ, where bitumen deposits are buried too deep for open pit mining to be cost effective, and operators instead inject steam into the deposit so that the bitumen can be

Table of Contents

Index to Financial Statements

separated from the sand and pumped to the surface. We currently provide most of our services to companies operating open pit mines to recover bitumen reserves. These customers utilize our services for surface mining, site preparation, piling, pipe installation, site maintenance, equipment and labor supply and land reclamation.

According to the EUB, the oil sands contained almost 173 billion barrels of established oil reserves as of the end of 2006, approximately 32 billion barrels of which is recoverable by open pit mining techniques. This is second only to Saudi Arabia s 264 billion barrels and approximately six times the recoverable reserves in the United States. Beginning in the mid-1990 s, increasing global energy demand and improvements in mining and in-situ technology resulted in a significant increase in oil sands investments. This increased level of investment was also driven by a revised royalty regime adopted by the Government of Alberta in 1997, which was designed to accelerate investment in the oil sands. Under the revised royalty structure, oil sands operators pay a royalty of 1% of gross revenue until the operator has recovered all its allowed costs in respect of a project plus a return allowance, after which the royalty increases to the greater of 25% of net revenue or 1% of gross revenue.

Total Oil Reserves by Country

The following maps show the location of the oil sands and the primarily surface mineable leases within the oil sands.

Table of Contents

Index to Financial Statements

Outlook. According to CAPP, approximately $45 billion was invested in the oil sands from 1996 through 2005. Oil sands production has grown four-fold since 1990 and exceeded one million barrels per day in 2005. CAPP expects oil sands production to reach approximately 3.0 million barrels per day and account for 71% of total Canadian oil production by 2015. By comparison, the Ghawar field in Saudi Arabia currently produces 5.0 million barrels per day, representing over 6% of the world s total production and over 50% of Saudi Arabia s production.

Total Bitumen Production From the Oil Sands

The following chart shows the expected capital expenditures in the oil sands through 2015 according to the NEB s 2006 Energy Market Assessment.

66

Table of Contents

Index to Financial Statements

According to the NEB s 2006 Energy Market Assessment, between 2007 and 2015 $8.5 billion to $10.9 billion of annual capital expenditures, for a total of over $86 billion, will be required to achieve expected increases in production. Both the CERI and the NEB have found that even at a price of approximately $25 per barrel the rate of oil sands supply can profitably double in the next 10 to 12 years. According to the NEB, as of June 2006, there were 21 mining and upgrader projects in various stages, ranging from announcement to construction, with start-up dates through 2010. If all of these projects proceed as scheduled, the planned investment in new projects for 2006 through 2010 will exceed $38 billion and an additional $17 billion will be invested in project additions or existing projects over the same period. Beyond 2010, several new multibillion dollar projects and a number of smaller multimillion dollar projects are being considered by various oil sands operators. We intend to pursue business opportunities from these projects. According to the NEB, the 21 projects with start up dates through 2010 are as follows:

Company	Project Name	Status	Startup Date	Bitumen Capacity (bpd)
Athabasca Oil Sands Project (Albian)	Muskeg River Mine Expansion and Debottleneck	Application	2010	115,000
	Jackpine Mine	Approved	2010	100,000
	Scotford Upgrader Debottleneck	Application	2007	45,000
	Scotford Upgrader Expansion	Application	2009	90,000
CNRL	Horizon Mine and Upgrader	Construction	2008	135,000
Husky	Lloydminster Upgrader Debottleneck	Construction	2006	12,000
Imperial/ExxonMobil	Kearl Mine	Application	2010	100,000
OPTI/Nexen	Long Lake Upgrader	Construction	2007	72,000
Suncor	Steepbank Debottleneck	Construction	2006	25,000
	Millennium Mine Debottleneck	Construction	2008	23,000
	Millennium Coker Unit	Construction	2008	116,000
	Voyageur Upgrader	Application	2010	156,000
Syncrude	Stage 3 Expansion	Construction	2006	116,300
Synenco	Northern Lights Mine	Disclosure	2009	50,000
	Northern Lights Upgrader	Disclosure	2010	50,000
Total E&P	Joslyn Mine	Application	2010	50,000
	Joslyn/Surmont Upgrader	Announced	2010	50,000
BA Energy	Heartland Upgrader Phase 1	Construction	2008	54,400
	Heartland Upgrader Phase 2	Approved	2010	54,400
North West Upgrading	North West Upgrader	Application	2010	50,000
Peace River Oil Upgrading	Bluesky Upgrader	Announced	2010	25,000

Pipeline Infrastructure and Construction. To transport the increased production expected from the oil sands and to provide natural gas as an energy source to the oil sands region, significant investment will be required to expand pipeline capacity. To date, there have been significant greenfield and expansion projects announced, including: Kinder Morgan Canada s proposal to expand the TransMountain pipeline system, which transports oil from the oil sands area to Burnaby, British Columbia; Enbridge Inc. s proposed Gateway pipeline, which will transport oil from the oil sands area to Kitimat, British Columbia; the proposed Access Pipeline (a joint venture between MEG Energy Corp. and Devon ARL Canada Corp.), which will transport bitumen from the oil sands to refineries in Edmonton, Alberta and diluent from Edmonton, Alberta to the oil sands area; TransCanada Corporation s proposed Keystone pipeline project, which will transport oil from Hardisty, Alberta to the Chicago area; and the proposed Spirit pipeline system (a joint venture between Kinder Morgan Canada and Pembina Pipeline Corporation), which will transport condensate from Kitimat, British Columbia to Edmonton, Alberta. We are in various stages of discussions to provide services for some of these projects. We believe that our service offerings and pipeline construction experience position us well to compete for additional sizeable pipeline opportunities required for the expected growth in oil sands production.

Table of Contents

Index to Financial Statements

Conventional Oil and Gas

We provide services to conventional oil and gas producers, in addition to our work in the oil sands. The Canadian Energy Pipeline Association estimates that over $20 billion of pipeline investment in Canada will be required for the development of new long haul pipelines, feeder systems and other related pipeline construction. Conventional oil and gas producers require pipeline installation services in order to connect producing wells to nearby pipeline systems. According to CAPP, Canada is one of the world s largest producers of oil and gas, producing approximately 2.6 million barrels of oil per day and approximately 17.2 billion cubic feet of natural gas per day. Canadian natural gas production is expected to increase with the development of arctic gas reserves. A producer group has been formed by Imperial Oil Limited, ConocoPhillips Canada Limited, Shell Canada and the Aboriginal Pipeline Group for the purpose of bidding for work on the construction of a pipeline proposed to extend 1,220 kilometers (758 miles) from the MacKenzie River delta in the Beaufort Sea to existing natural gas pipelines in northern Alberta. Under the group s proposal, Imperial Oil will lead the construction and operate the pipeline. We are actively working with Imperial Oil and have provided it with constructability and planning reviews. We hope to repeat our history of providing initial engineering assistance on projects and then subsequently being awarded contracts on these projects.

Minerals Mining

According to the government agency Natural Resources Canada, Canada is also one of the largest mining nations in the world, producing more than 60 different minerals and metals. In 2006, the mining and minerals processing industries contributed $40 billion to the Canadian economy, an amount equal to approximately 3.7% of GDP. The value of minerals produced (excluding petroleum and natural gas) reached $33.6 billion in 2006. According to the EUB, Canada ranks tenth in the world in total proven coal reserves. Alberta contains 70% of Canada s coal reserves and, by volume, produces approximately half of the coal mined in Canada annually.

The diamond mining industry in Canada is relatively new, having extracted diamonds for only eight years. According to Natural Resources Canada, the industry has grown from 2.6 million carats of production in 2000 to an estimated 13.2 million carats of production in 2006, representing a compounded annual growth rate of approximately 38%, and establishing Canada as the third largest diamond producing country in the world by value after Botswana and Russia. We believe Canadian diamond mining will continue to grow as existing mines increase production and new mine projects are developed. Outside the oil sands, we have identified the growing Canadian diamond mining industry as a primary target for new business opportunities.

Canada is the world leader in uranium mining. The two largest high-grade deposits in the world have been discovered in Canada. According to Natural Resources Canada, 80% of Canada s recoverable reserve base is categorized as low-cost. Historically, exploration and production have taken place primarily in Saskatchewan. Recently, however, significant exploration efforts are underway in the Northwest Territories, Yukon, Nunavut, Quebec, Newfoundland and Labrador, Ontario, Manitoba and Alberta, with as many as 90 junior exploration companies involved.

We intend to build on our core services and strong regional presence to capitalize on the opportunities in the minerals mining industries of Canada. According to Natural Resources Canada s 2007 estimate, capital expenditures in the minerals mining industry will be approximately $8 billion in 2007.

Commercial and Public Construction

According to the government agency Statistics Canada, the Canadian commercial and public construction market was approximately $25 billion in 2006. According to the Alberta government, the commercial and public construction market in Alberta is expected to grow 3% annually through 2009. As a result of the significant activity in the energy sector, western Canada has experienced and is expected to continue to experience strong economic and population growth. The Alberta government has responded to the potential strain that this growth

Table of Contents

Index to Financial Statements

will have on public facilities and infrastructure by allocating approximately $18.2 billion to improvement and expansion projects from 2008 to 2010. This need for infrastructure to support growth, along with historic underinvestment in infrastructure, provides for a strong infrastructure spending outlook.

The success of the energy industry in western Canada is also leading to increased commercial development in many urban centers in British Columbia and Alberta. According to the Alberta government, as of May 2007, the inventory of commercial, retail and residential projects in Alberta was valued at approximately $14.1 billion. These large expenditures will be further supplemented by the 2010 Olympic Winter Games, which will be held in the Vancouver area. The City of Vancouver estimates that the 2010 Olympic Winter Games will require an additional $4.0 billion in infrastructure and construction spending. The significant resources and capital intensive nature of the core infrastructure and construction services required to meet these demands, along with our strong local presence and significant regional experience, position us to implement our business model to capitalize on the large and growing infrastructure and construction demands of western Canada.

Our Operations

We provide our services through three interrelated yet distinct business units: mining and site preparation, piling and pipeline installation. Over the past 50 years, we have developed an expertise operating in the difficult working conditions created by the climate and terrain of western Canada. We provide our services primarily to oil and gas and other natural resource companies.

The chart below shows the revenues generated by each operating segment for the fiscal years ended March 31, 2003 through March 31, 2007:

	Year Ended March 31,									
	2007		2006		2005		2004 (a) (Non-GAAP)		2003 (a)	
	(Dollars in thousands)									
Mining and site preparation	$ 473,179	75.2%	$ 366,721	74.5%	$ 264,835	74.1%	$ 235,772	62.4%	$ 245,235	71.3%
Piling	109,266	17.3	91,434	18.6	61,006	17.1	48,982	12.9	61,006	17.7
Pipeline installation	47,001	7.5	34,082	6.9	31,482	8.8	93,509	24.7	37,945	11.0
Total	$ 629,446	100.0%	$ 492,237	100.0%	$ 357,323	100.0%	$ 378,263	100.0%	$ 344,186	100.0%

(a) Revenues for the fiscal year ended March 31, 2003 are of Norama Ltd., our predecessor company. Revenues for the fiscal year ended March 31, 2004 consist of the revenues of Norama Ltd. from April 1, 2003 to November 25, 2003, prior to the Acquisition, combined with our revenues from November 26, 2003 to March 31, 2004, after the Acquisition. The pre- and post-Acquisition periods during the fiscal year ended March 31, 2004 have strictly been added together. No pro forma adjustments have been made to attempt to reflect the revenues that would have been attained had the Acquisition occurred at the beginning of the period. GAAP does not allow for such a combination of pre- and post-Acquisition periods. The Acquisition was primarily a change of ownership of the business we acquired from Norama Ltd., and we have operated the business in substantially the same manner as Norama Ltd. did before the Acquisition. Therefore, the pre- and post-Acquisition periods are presented on a combined basis to allow for a meaningful comparison to other full fiscal years.

Mining and Site Preparation

Our mining and site preparation segment encompasses a wide variety of services. Our contract mining business represents an outsourcing of the equipment and labor component of the oil and gas and other natural resources mining business. Our site preparation services include clearing, stripping, excavating and grading for mining operations and other general construction projects, as well as underground utility installation for plant, refinery and commercial building construction. This business unit utilizes the vast majority of our equipment

Table of Contents

Index to Financial Statements

fleet and employs over 900 people. The majority of the employees and equipment associated with this business unit are located in the Canadian oil sands area.

For the fiscal years ended March 31, 2005, 2006 and 2007, revenues from this segment accounted for 74%, 75% and 75% of our total revenues, respectively.

Many oil sands and natural resource mining companies utilize contract services for mine site operations. Our mining services consist of overburden removal; the hauling of sand and gravel; mining of the ore body and delivery of the ore to the crushing facility; supply of labor and equipment to support the owners mining operations; construction of infrastructure associated with mining operations; and reclamation activities, which include contouring of waste dumps and placement of secondary materials and muskeg. The major producers outsource mine site operations to contractors such as our company to allow them to focus their resources on exploration and property development and to benefit from a variety of cost efficiencies that we can provide. We believe mining contractors typically have wage rates lower than those of the mining company and more flexible operating arrangements with personnel allowing for improved uptime and performance.

Oil sands operators use our services to prepare their sites for the construction of the mining infrastructure, including extraction plants and upgrading facilities, and for the eventual mining of the oil sands ore located on their properties. Outside of the oil sands, our site preparation services are used to assist in the construction of roads, natural resource mines, plants, refineries, commercial buildings, dams and irrigation systems. In order to successfully provide these types of services in the oil sands, our operators are required to use heavy equipment to transform barren terrain and difficult soil or rock conditions into a stable environment for site development. Our extensive fleet of equipment is used for clearing the earth of vegetation and removing topsoil that is not usable as a stable subgrade and site grading, which includes grading, leveling and compacting the site to provide a solid foundation for transportation or building. We also provide utility pipe installation for the private and public sectors in western Canada. We are experienced in working with piping materials such as HDPE, concrete, PVC and steel. This work involves similar methods as those used for field, transmission and distribution pipelines in the oil and gas industry, but is generally more intricate and time consuming as the work is typically performed in existing plants with numerous tie-ins to live systems.

Piling

Our capabilities include the installation of all types of driven and drilled piles, caissons and earth retention and stabilization systems for commercial buildings; private industrial projects, such as plants and refineries; and infrastructure projects, such as bridges. Our piling business employs approximately 150 people. Oil and gas companies developing the oil sands and related infrastructure represented approximately 50% of our piling clients for fiscal 2007. The remaining 50% of our piling clients were primarily commercial construction builders operating in the Edmonton, Calgary, Regina and Vancouver areas.

In providing piling services, we currently operate a variety of crawler-mounted drill rigs, a fleet of 25- to 100-ton capacity piling cranes and pile driving hammers of all types from our Edmonton, Calgary, Regina, Vancouver and Fort McMurray locations. Piles and caissons are deep foundation systems that extend up to 30 meters below a structure. Piles are long narrow shafts that distribute a load from a supported structure (such as a building or bridge) throughout the underlying soil mass and are necessary whenever the available footing area beneath a structure is insufficient to support the load above it. The foundation chosen for any particular structure depends on the strength of the rock or soil, magnitude of structural loads and depth of groundwater level.

For the fiscal years ended March 31, 2005, 2006 and 2007, revenues from this segment accounted for 17%, 19% and 17% of our total revenues, respectively.

Pipeline Installation

We install field, transmission and distribution pipe made of steel, plastic and fiberglass materials. We employ our fleet of construction equipment and skilled technical operators to build and test the pipelines for the

Table of Contents

Index to Financial Statements

delivery of oil and natural gas from the producing field to the consumer. Our pipeline teams have expertise in hand welding selected grade pipe and in operating in the harsh conditions of remote regions in western and northern Canada.

Prior to fiscal 2007, virtually all of our revenues in our pipeline business resulted from work performed for EnCana. During fiscal 2007, we expanded our client base in the pipeline division by performing work for Canadian Natural Resources Limited, Suncor Energy Inc. and Husky Energy Inc. We believe there are significant opportunities to further increase our market share by capitalizing on the projected pipeline expansion in Canada.

For the fiscal years ended March 31, 2005, 2006 and 2007, revenues from this segment accounted for 9%, 7% and 8% of our total revenues, respectively.

Equipment

We operate and maintain over 690 pieces of diversified heavy equipment, including crawlers, graders, loaders, mining trucks, compactors, scrapers and excavators, as well as over 660 ancillary vehicles, including various service and maintenance vehicles. The equipment is in good condition, normal wear and tear excepted. Our revolving credit facility is secured by liens on substantially all of our equipment. See Description of Certain Indebtedness. We lease some of this equipment under lease terms that include purchase options.

The following table sets forth information regarding our fleet of heavy equipment as of March 31, 2007:

Category	Capacity Range	Horsepower Range	Number in Fleet	Number Leased
Mining and site preparation:				
Articulating trucks	30-42 tons	305-460	54	
Mining trucks	50-330 tons	650-2,700	128	13
Shovels	36-58 cubic yards	2,600-3,760	5	2
Excavators	1-20 cubic yards	94-1,350	135	3
Crawler tractors	N/A	120-1,350	113	8
Graders	14-24 feet	150-500	25	3
Scrapers	28-31 cubic yards	450	14	
Loaders	1.5-16 cubic yards	110-690	52	
Skidsteer loaders	1-2.25 cubic yards	70-150	47	
Packers	44,175-68,796 lbs	216-315	25	
Pipeline:				
Snow cats	N/A	175	4	
Trenchers	N/A	165	2	
Pipelayers	16,000-140,000 lbs	78-265	35	
Piling:				
Drill rigs	60-135 feet (drill depth)	210-1,500	37	
Cranes	25-100 tons	200-263	14	
Total			690	29

For the fiscal years ended March 31, 2005, 2006 and 2007, we incurred expense of $52.8 million, $64.8 million and $122.3 million, respectively, to maintain our equipment in good working condition.

Customers

We derive a significant amount of our revenues from a small number of oil and gas companies. Our customer base includes major energy companies such as Syncrude, Albian, EnCana, Suncor and CNRL. We have

71

Table of Contents

Index to Financial Statements

large mining customers outside of the oil sands, including De Beers. We also perform commercial construction-related services for other customers in the public and private sectors. Our largest three customers for the fiscal year ended March 31, 2007, CNRL, Albian and Syncrude, accounted for 17%, 16% and 12% of our revenues, respectively. Collectively, our five largest customers accounted for 65% and 70% of our revenues for the fiscal years ended March 31, 2007 and 2006, respectively. We have relatively few customers in our mining and site preparation and pipeline installation segments and many small customers in our piling segment. For the last five fiscal years, the majority of our revenues in our pipeline business resulted from work performed for EnCana.

Contracts

We complete work under the following types of contracts: cost-plus, time-and-materials, unit-price and lump-sum. Each contract contains a different level of risk associated with its formation and execution.

Cost-plus. A cost-plus contract is where all work is completed based on actual costs incurred to complete the work. These costs include all labor, equipment, materials and any subcontractor s costs. In addition to these direct costs, all site and corporate overhead costs are charged to the job. An agreed upon fee 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.

Time-and-materials. A time-and-materials contract involves using the components of a cost-plus job to calculate rates for the supply of labor and equipment. In this regard, all components of the rates are fixed and we are compensated for each hour of labor and equipment supplied. The risk associated with this type of contract is the estimation of the rates and incurring expenses in excess of a specific component of the agreed upon rate. Therefore, any cost overrun 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 utilized 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 labor, equipment, materials and any subcontractor s 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 or more resources are required than were estimated in the established price. The price is fixed regardless of the amount of work required to complete the project.

The mix of contract types varies year-by-year. For the fiscal year ended March 31, 2007, our contracts consisted of 6% cost-plus, 28% time-and-materials, 53% unit-price and 13% lump-sum.

In addition to the contracts listed above, we also use master service agreements for work in the oil and gas sector where the scope of the project is not known and timing is critical to ensure the work gets completed. The master service agreement is a form of a time-and-materials agreement that specifies what rates will be charged for the supply of labor and equipment to undertake work. The agreement does not identify any specific scope or schedule of work. In this regard, the customer s representative establishes what work is to be done at each location. We use master service agreements with the work we perform for Syncrude, Suncor and Albian.

We also do a substantial amount of work as a subcontractor where we are governed by the contracts with the general contractor to which we are not a party. Subcontracts vary in type and conditions with respect to the pricing

Table of Contents

Index to Financial Statements

and terms and are governed by one specific prime 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.

Material Contracts

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

Employment Agreements with Executive Officers. Please see Management Employment Agreements for information regarding these contracts.

Office Leases with Company Owned by a Former Director. Please see Related Party Transactions Office Leases for information regarding these leases.

Registration Rights Agreement. Please see Related Party Transactions Registration Rights Agreement for information regarding this agreement.

Revolving Credit Facility. Please see Description of Certain Indebtedness Revolving Credit Facility for information regarding the second amended and restated credit agreement that provides our revolving credit facility.

Indenture Governing Our 8 3/4% Senior Notes due 2011. Please see Description of Certain Indebtedness 8 3/4% Senior Notes due 2011 for information regarding this indenture.

Subsidiaries

Our subsidiaries consist of the following, each of which is directly or indirectly wholly-owned by us.

Name	**State or Other Jurisdiction of Incorporation or Organization**
North American Construction Group Inc.(1)	Canada
North American Caisson Ltd.	Alberta, Canada
North American Construction Ltd.	Canada
North American Engineering Inc.	Alberta, Canada
North American Enterprises Ltd.	Alberta, Canada
North American Industries Inc.	Alberta, Canada
North American Maintenance Ltd.	Alberta, Canada
North American Mining Inc.	Alberta, Canada
North American Pipeline Inc.	Alberta, Canada
North American Road Inc.	Alberta, Canada
North American Services Inc.	Alberta, Canada
North American Site Development Ltd.	Alberta, Canada
North American Site Services Inc.	Alberta, Canada
Griffiths Pile Driving Inc.	Alberta, Canada
NACG Finance LLC(2)	Delaware

(1) This subsidiary is owned directly by us, and it directly owns each of our other Canadian subsidiaries.
(2) This subsidiary is directly owned by us.

Joint Venture

We are party to a joint venture operated through a corporation called Noramac Ventures Inc., or Noramac, with Fort McKay Construction Ltd. This joint venture was created for the purpose of performing contracts for the construction, development and operation of open-pit mining projects within a 50 kilometre radius of Fort McKay, Alberta, which require the provision of heavy construction equipment. The affairs of Noramac are

Table of Contents

Index to Financial Statements

managed, and all decisions and determinations with respect to Noramac are made, by a management committee equally represented by us and our partner. The management committee is responsible for determining the percentage of work in relation to each contract that will be performed by us and by our partner, provided that contracts for a duration of less than two years and of a tender value between $10.0 million and $100.0 million which require a parent guarantee or performance bond will be subcontracted to us. The joint venture agreement provides that if the management committee does not tender for a contract, or fails to reach agreement on the terms upon which Noramac will tender for a contract, we or our partner may pursue the contract in our respective capacities without hindrance, interference or participation by the other party. The joint venture agreement does not prohibit or restrict us from undertaking and performing, for our own account, any work for existing customers other than work to be performed by Noramac pursuant to an existing contract between Noramac and such customer. The joint venture is accounted for as a variable interest entity and consolidated in our financial statements.

Major Suppliers

We have long-term relationships with the following equipment suppliers: Finning International Inc. (45 years), Wajax Income Fund (20 years) and Brandt Tractor Ltd. (30 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. In addition to the supply of new equipment, each of these companies is a major supplier for equipment rentals, parts and service labor.

We obtain tires for our equipment from local distributors. Tires of the size and specifications we require are generally in short supply. We expect the supply/demand imbalance for certain tires to continue for some time.

Competition

Our business is highly competitive in each of our markets. Historically, the majority of our new business was awarded to us based on past client relationships without a formal bidding process, in which typically a small number of pre-qualified firms submit bids for the project work. Recently, in order to generate new business with new customers, we have had to participate in formal bidding processes. As new major projects arise, we expect to have to participate in bidding processes on a meaningful portion of the work available to us on these projects. Factors that impact competition include price, safety, reliability, scale of operations, availability and quality of service. Most of our clients and potential clients in the oil sands area operate their own heavy mining equipment fleet. However, these operators have historically outsourced a significant portion of their mining and site preparation operations and other construction services.

Our principal competitors in the mining and site preparation segment include Cow Harbour, Cross Construction Ltd., Klemke Mining Corporation, Ledcor Construction Limited, Neegan Development Corporation Ltd., Peter Kiewit Sons Co., Tercon Contractors Ltd., Sureway Construction Ltd. and Thompson Bros. (Constr) Ltd. The main competition to our deep foundation piling operations comes from Agra Foundations Limited and Double Star Co. The primary competitors in the pipeline installation business include Ledcor Construction Limited, Washcuk Pipe Line Construction Ltd. and Midwest Management (1987) Ltd. Voice Construction Ltd. and I.G.L. Industrial Services are the major competitors in underground utilities installation.

In the public sector, we compete against national firms, and there is usually more than one competitor in each local market. Most of our public sector customers are local governments that are focused on serving only their home 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.

Properties and Facilities

We own and lease a number of buildings and properties for use in our business. Our administrative functions are located at our headquarters near Edmonton, Alberta, which also houses a major equipment

Table of Contents

Index to Financial Statements

maintenance facility. Project management and equipment maintenance are also performed at regional facilities in Calgary and Fort McMurray, Alberta; Vancouver, Fort Nelson and New Westminster, British Columbia; and Regina and Martensville, Saskatchewan. We occupy office and shop space in British Columbia, Alberta and Saskatchewan under leases which expire between late 2007 and 2017, subject to various renewal and termination rights. We expect to renew our office lease that expires in 2007 with rates that are competitive with the prevailing markets rates at that time. We also occupy, without charge, some customer-provided lands. Our revolving credit facility is secured by liens on substantially all of our properties. See Description of Certain Indebtedness. The following table describes our primary facilities.

Location	Function	Owned or Leased
Acheson, Alberta	Corporate headquarters and major equipment repair facility	Leased (a)
Calgary, Alberta	Regional office and equipment repair facility piling operations	Building Owned Land Leased (b)
Syncrude Mine Site, South End Fort McMurray, Alberta	Regional office and major equipment repair facility earthworks and mining operations	Building Owned Land Provided
Syncrude Plant Site Fort McMurray, Alberta	Satellite office and minor repair facility all operations	Building Owned Land Leased (c)
CNRL Plant Site Fort McMurray, Alberta	Site office and maintenance facility	Facility Owned Land Provided
Aurora Mine Site Fort McMurray, Alberta	Satellite office and equipment repair facility all operations	Building Leased (d) Land Provided
Albian Sands Mine Site Fort McMurray, Alberta	Satellite office and equipment repair facility all operations	Building Leased (d) Land Provided
New Westminster, British Columbia	Regional office and equipment repair facility piling operations	Building Owned Land Leased (e)
Fort Nelson, British Columbia	Satellite office pipeline operations	Leased (f)
Regina, Saskatchewan	Regional office and equipment repair facility piling operations	Leased (g)
Martensville, Saskachewan	Regional office and equipment repair facility piling operations	Leased (h)
Calgary, Alberta	Satellite office and shop for micropile division	Leased (d)
Edmonton, Alberta	Satellite office and warehouse storage facility	Leased (i)
Edmonton, Alberta	Termporary satellite office	Leased (d)

(a) Lease expires November 30, 2007. We have an option to extend this lease for an additional five years.
(b) Lease expires December 31, 2010.
(c) Lease expires November 30, 2009.
(d) Leased on a month-to-month basis.
(e) Lease expires March 31, 2010.
(f) Lease expires July 10, 2008.
(g) Lease expires March 14, 2008.
(h) Lease expires May 31, 2012.
(i) Lease expires March 31, 2017.

Our locations were chosen for their geographic proximity to our major customers. We believe our facilities are sufficient to meet our needs for the foreseeable future.

Table of Contents

Index to Financial Statements

Law and Regulations and Environmental Matters

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

- permitting 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 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, 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 expose 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 with 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.

Capital expenditures relating to environmental matters during the fiscal years ended March 31, 2005, 2006 and 2007 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 Labor Relations

As of March 31, 2007, we had over 200 salaried and over 1,500 hourly employees. We also utilize the services of subcontractors in our construction business. Approximately 10% to 15% of the construction work we do is done through subcontractors. Approximately 1,300 employees are members of various unions and work under collective bargaining agreements. The majority of our work is done through employees governed by a collective bargaining agreement with the International Union of Operating Engineers Local 955, the primary term of which expires on October 31, 2009, and under a collective bargaining agreement with the Alberta Road Builders and Heavy Construction Association and the International Union of Operating Engineers Local 955, the primary term of which expired. This contract is currently being negotiated. Additionally, we recently signed a

76

Table of Contents

Index to Financial Statements

10-year labor agreement for mining work at the CNRL site in the oil sands. 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. We believe that our relationships with all our employees, both union and non-union, are satisfactory. We have never experienced a strike or lockout.

Legal Proceedings

In February 2005, Renée Gouin and Elaine Busch commenced a claim against their brothers, Martin Gouin and Roger Gouin, their father, Jean Yvon Gouin, and a number of companies, including our subsidiary, North American Construction Group Inc. The plaintiffs allege that they maintain beneficial ownership interests in the Gouin family business. The assets of certain of those businesses were sold to us in the Acquisition. The plaintiffs further allege that the proceeds of such ownership interests, including cash and preferred shares of NACG Preferred Corp., our subsidiary, are being wrongfully held by the Gouin brothers and that certain management fees paid by North American Construction Group Inc. to the corporate shareholder of our predecessor company, Norama Ltd., were excessive. The plaintiffs seek, among other things: damages in the amount of $57.8 million each; a declaration that they hold a beneficial interest in the family business; a constructive trust over the family business; an accounting and tracing of the sale proceeds, assets and shares; and rectification of share registers.

Pursuant to the purchase agreement relating to the Acquisition, Martin Gouin, Roger Gouin, Norama Ltd., and North American Equipment Ltd. have agreed to indemnify North American Construction Group Inc. We have notified Martin Gouin, Roger Gouin, Norama Ltd., and North American Equipment Ltd. that we are seeking indemnity from them under the purchase agreement for the cost of our defense and any damages arising out of the lawsuit. We have taken the position that North American Construction Group Inc. is not a properly named defendant in the lawsuit. Discoveries are ongoing and we will continue to assess our position as the matter proceeds.

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, including the litigation described above, 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.

Table of Contents

Index to Financial Statements

MANAGEMENT

Directors and Executive Officers

The following sets forth information about our directors and executive officers. Ages reflected are as of May 31, 2007. 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 Zone 3, Acheson Industrial Area, 2-53016 Highway 60, Acheson, Alberta T7X 5A7.

Name and Municipality of Residence	Age	Position
Rodney J. Ruston Edmonton, Alberta	56	Director, President and Chief Executive Officer
Douglas A. Wilkes Surrey, British Columbia	52	Vice President, Finance and Chief Financial Officer
Robert G. Harris Edmonton, Alberta	59	Vice President, Human Resources, Health, Safety & Environment
Christopher J. Hayman St. Albert, Alberta	44	Vice President, Supply Chain
William M. Koehn(1) Spruce Grove, Alberta	45	Vice President, Operations and Chief Operating Officer
Miles W. Safranovich Spruce Grove, Alberta	42	Vice President, Business Development and Estimating
Ronald A. McIntosh Calgary, Alberta	65	Chairman of the Board
George R. Brokaw Southampton, New York	39	Director
John A. Brussa Calgary, Alberta	50	Director
John D. Hawkins Houston, Texas	43	Director
William C. Oehmig Houston, Texas	57	Director
Richard D. Paterson San Francisco, California	64	Director
Allen R. Sello West Vancouver, British Columbia	67	Director
Peter W. Tomsett West Vancouver, British Columbia	49	Director
K. Rick Turner Little Rock, Arkansas	49	Director