

North American Energy Partners Inc.

Form 20-F

June 20, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

.. **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

or

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

FOR THE FISCAL YEAR ENDED

MARCH 31, 2007

or

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

or

.. **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 001-33161

North American Energy Partners Inc.

(Exact Name of the Registrant as Specified in its Charter)

Canada

(Jurisdiction of Incorporation or Organization)

Zone 3, Acheson Industrial Area, 2-53016 Hwy 60, Acheson, Alberta T7X 5A7

(Address of Principal Executive Offices)

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

<u>Title</u>	<u>Name of Exchange on which Registered</u>
Common Shares, No Par Value	New York Stock Exchange
Securities registered or to be registered pursuant to Section 12(g) of the Act:	Toronto Stock Exchange
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:	NONE
	NONE

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 35,604,660 Common Shares at March 31, 2007

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. YES NO

Indicate by check mark whether the Company: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which financial statement item the Company has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

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EXCHANGE RATE INFORMATION

The following tables set forth the exchange rates for one Canadian dollar, expressed in U.S. dollars, based on the inverse of the noon buying rate in the city of New York for cable transfers in Canadian dollars as certified for customs purposes by the Bank of Canada (the Noon Buying Rate). On May 31, 2007, the Noon Buying Rate was \$1.00 = US\$ 0.9347.

	2006		2007			
	December	January	February	March	April	May
High for period	0.8787	0.8598	0.8467	0.8696	0.9051	0.9376
Low for period	0.8569	0.844	0.8419	0.8462	0.8621	0.8958

	Year Ended March 31,				
	2003	2004	2005	2006	2007
Average for period	0.6455	0.7412	0.7836	0.8378	0.8738

STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This document contains forward-looking statements. These statements are subject to risks and uncertainties and are based on the beliefs and assumptions of management, based on information currently available to management. Forward-looking statements are those that do not relate strictly to historical or current facts, and can be identified by the use of the future tense or other forward-looking words such as believe, expect, anticipate, intend, plan, estimate, should, may, objective, projection, forecast, continue, strategy, or the negative of those terms, or variations of them or by comparable terminology. In particular, statements, express or implied, concerning future operating results or the ability to generate income or cash flow are forward-looking statements. Forward-looking statements include the information concerning possible or assumed future results of our operations set forth under Item 4: Information on the Company, Item 5: Operating and Financial Review and Prospects, Item 11: Quantitative and Qualitative Disclosures About Market Risk, and elsewhere in this annual report on Form 20-F.

Forward-looking statements are not guarantees of performance. They involve risks, uncertainties, and assumptions. Future actions, conditions, or events and future results of operations may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results are beyond management's ability to control or predict. Specific factors that could cause actual results to vary from those in the forward-looking statements include:

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;

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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 Item 3.D Risk Factors.

We believe the forward-looking statements in this document are reasonable; however, you should not place undue reliance on any forward-looking statements, which are based on our current expectations. 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.

NON-GAAP FINANCIAL MEASURES

The body of generally accepted accounting principles applicable to us is commonly referred to as GAAP. A non-GAAP financial measure is generally defined by the Securities and Exchange Commission, or SEC, and by the Canadian securities regulatory authorities as one that purports to measure historical or future financial performance, financial position or cash flows, but excludes or includes amounts that would not be so adjusted in the most comparable GAAP measures. EBITDA is calculated as net income (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, which 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 includes the reference to Consolidated EBITDA. Non-compliance with this financial covenant 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 US GAAP. Our methods of calculating EBITDA and Consolidated EBITDA may vary from others in our industry.

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PART I

ITEM 1: IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2: OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3: KEY INFORMATION

A. SELECTED FINANCIAL DATA

We were initially formed in October 2003 in connection with the acquisition on November 26, 2003 (the Acquisition) of certain businesses from Norama Ltd. as discussed under Item 4.A History and Development of the Company. As a result, the selected 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 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. As a result of the Acquisition, the consolidated financial data for the periods before November 26, 2003 is not necessarily comparable to the consolidated financial data for periods after November 25, 2003.

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The information presented below should be read in conjunction with Item 5 Operating and Financial Review and Prospects and our audited consolidated financial statements and related notes included at Item 17. All of the financial information presented below has been prepared in accordance with Canadian GAAP, which differs in certain respects from U.S. GAAP. For a discussion of the principal differences between Canadian GAAP and U.S. GAAP as they pertain to us for the years ended March 31, 2007, 2006 and 2005, see note 27 to our consolidated financial statements included at Item 17.

	Year Ended March 31,			November 26,	Predecessor (a)	
	2007	2006	2005	2003 to March 31,	April 1, 2003 to November 25,	Year Ended March 31,
	(Dollars in thousands except shares and 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	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

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Diluted	25,443,907	18,574,800	18,539,720	18,500,000	N/A	N/A
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Balance sheet data (end of period):

Cash	\$ 7,895	\$ 42,804	\$ 17,924	\$ 36,595		\$ 651
Property, plant and equipment, net	255,963	184,562	177,089	167,905		76,234
Total assets	710,736	568,682	540,155	489,974		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		
NAEPI Series A preferred shares (e)		375				
NAEPI Series B preferred shares (e)		42,193				
Total shareholder s equity (e)	244,278	18,111	38,829	80,355		29,818

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

- (a) The historical balance sheet and statement of operations and other financial data as at and for the years ended March 31, 2003 and the period from April 1 to November 25, 2003 have been derived from the historical financial statements of Norama Ltd. The financial statements for periods ended before November 26, 2003 are not necessarily comparable in all respects to the financial statements for periods ended 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,

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(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.

The asset entitled unbilled revenue represents revenue recognized in advance of amounts invoiced. The liability entitled billings in excess of costs incurred and estimated earnings on uncompleted contracts represents amounts invoiced in excess of revenue recognized.

(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,	Predecessor	
	2007	2006	2003 to	April 1,	
			March 31,	2003 to	
				November 25,	
				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 NAEPI Series B preferred shares	2,489	34,668			
Accretion of NAEPI 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 the initial public offering (IPO) discussed below, NACG Holdings Inc. (Holdings) amalgamated with its wholly-owned subsidiaries, NACG Preferred Corp. and North American Energy Partners Inc. (NAEPI). 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 IPO. On November 28, 2006, prior to the amalgamation:

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Holdings 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. The Company recorded a gain of \$9.4 million on the repurchase of the NACG Preferred Corp. Series A preferred shares.

Holdings repurchased the NAEPI Series A preferred shares for their redemption value of \$1.0 million. Holdings 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. (collectively, the Sponsors), under which Holdings 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, 0.5% of the aggregate gross proceeds to the Company from the offering, which was recorded as a share issue cost.

Each holder of NAEPI Series B preferred shares received 100 common shares of Holdings for each NAEPI Series B preferred share held as a result of Holdings exercising a call option to acquire the NAEPI Series B preferred shares. Upon exchange, the carrying value in the amount of \$44.7 million for the NAEPI Series B preferred shares on the exercise date was transferred to share capital.

On November 28, 2006, the Company completed an IPO of 8,750,000 common voting shares for total gross proceeds of \$158.5 million. Net proceeds from the IPO, after deducting underwriting fees and offering expenses, were \$140.9 million. Subsequent to the IPO, the underwriters exercised their overallotment option to purchase 687,500 additional voting common shares of the Company for gross proceeds of \$12.6 million. Net proceeds from the overallotment, after deducting underwriting fees and offering expenses, were \$11.7 million. Total net proceeds from the IPO and subsequent overallotment were \$152.6 million.

The net proceeds from the IPO and subsequent overallotment were used:

to repurchase all of the Company's 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;

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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

for 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, the Company's net income (loss) would be adjusted as follows:

	Year Ended March 31,				Predecessor April 1,	
					November 26, 2003 to March 31,	Year Ended March 31,
	2007	2006	2005	2004	2003 to November 25, 2003	2003
	(Dollars in thousands)					
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)		

The cumulative effect of material differences between Canadian and U.S. GAAP on the consolidated shareholders' equity of the Company 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)	

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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 the Company's policies when the asset is placed into service.
 - (2) Under Canadian GAAP, the Company defers and amortizes debt issue costs on a straight-line basis over the stated term of the related debt. Under U.S. GAAP, the Company is 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, the Company issued 8 3/4% senior notes for US\$200 million (Canadian \$263 million). On May 19, 2005 the Company issued 9% senior secured notes for US\$60.4 million (Canadian \$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.

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(4) Prior to the modification of the terms of the NAEPI Series B preferred shares, there were no differences between Canadian GAAP and U.S. GAAP related to the NAEPI Series B preferred shares. As a result of the modification of terms of NAEPI's Series B preferred shares on March 30, 2006, under Canadian GAAP, the Company continued to classify the NAEPI Series B preferred shares as a liability and was accreting the carrying amount of \$42.2 million on the amendment date (March 30, 2006) to their December 31, 2011 redemption value of \$69.6 million using the effective interest method. Under U.S. GAAP, the Company recognized the fair value of the amended NAEPI Series B preferred shares as minority interest as such amount was recognized as temporary equity in the accounts of NAEPI 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, the Company was accreting the initial fair value of the amended NAEPI Series B preferred shares of \$45.9 million recorded on their amendment date (March 30, 2006) to the December 31, 2011 redemption value of \$69.6 million using the effective interest method, which was consistent with the treatment of the NAEPI Series B preferred shares as temporary equity in the financial statements of NAEPI. The accretion charge was recognized as a charge to minority interest (as opposed to retained earnings in the accounts of NAEPI) under US GAAP and interest expense in the Company's financial statements under Canadian GAAP.

(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 the value of the cross-currency and interest rate swaps recognized on our balance sheet.

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

Year Ended March 31,				Predecessor April 1,		
				November 26, 2003 to March 31,	2003 to November 25,	Year Ended March 31,
2007	2006	2005	2004		2003	2003
(Dollars in thousands)						

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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		