NORTH AMERICAN
ENERGY PARTNERS INC.

Canadian Supplement To: Restated Interim Management's Discussion and Analysis

FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2009

NORTH AMERICAN ENERGY PARTNERS INC.

This document supplements the Restated Interim Management's Discussion and Analysis for the three and six months ended September 30, 2009 and has been prepared pursuant to Section 5.2 of National Instrument 51-102-Continuous Disclosure Obligations

NORTH AMERICAN
ENERGY PARTNERS INC.

Canadian Supplement to Restated Interim Management's Discussion and Analysis

For the three and six months ended September 30, 2009

Summary of differences between US GAAP and Canadian GAAP

June 10, 2010

The interim unaudited consolidated financial statements for the three and six months ended September 30, 2009 and the accompanying interim Management's Discussion and Analysis (MD&A) have been restated in accordance with US generally accepted accounting principles (GAAP). As required by the National Instrument 52-107, for the fiscal year of adoption of US GAAP and one subsequent fiscal year, we are required to provide a Canadian Supplement to our MD&A (Canadian Supplement) that restates, based on financial information reconciled to Canadian GAAP, those parts of our MD&A that would contain material differences if they were based on financial statements prepared in accordance with Canadian GAAP. The Canadian Supplement should be read in conjunction with our restated unaudited financial statements and restated interim MD&A included in our interim report for the three and six months ended September 30, 2009 prepared in accordance with US GAAP (Restated Interim Report) and our annual financial statements for the year ended March 31, 2010 and related MD&A included in our annual report for the fiscal year ended March 31, 2010 (Annual Report). Note 24 of our interim restated financial statements explains and quantifies the material differences between US GAAP and Canadian GAAP on our financial position and results of operations.

This supplement has been prepared as of November 3, 2009 and has not been updated to reflect new facts, events or circumstances since that date, except where denoted herein.

The tables in this supplement highlight the differences between Canadian and US GAAP. We have shown the interim Consolidated Statements of Operations, Comprehensive Income and Deficit for the three and six months ended September 30, 2009 and an extract of the Interim Consolidated Balance Sheets as at September 30, 2009, so that the areas impacted by the GAAP differences can be clearly identified. Figures included in this supplement are in thousands of Canadian dollars, except per share information.

Interim Consolidated Statements of Operations, Comprehensive Income (Loss) and Deficit

	Three months ended September 30,					
(dollars in thousands, except per share information)	2009 – (restated (j) Canadian GAAP)	Adjustments	2009 (US GAAP)	2008 (restated (j) Canadian GAAP)	Adjustments	2008 (US GAAP)
Revenue (g)	$171,110	$(408)	$170,702	$280,283	$ –	$280,283
Project costs (g)	65,959	(522)	65,437	154,961	–	154,961
Equipment costs	44,359	–	44,359	60,787	–	60,787
Equipment operating lease expense	15,684	–	15,684	9,586	–	9,586
Depreciation (a)	11,395	31	11,426	10,211	31	10,242
Gross profit	33,713	83	33,796	44,738	(31)	44,707
General and administrative costs (c) and (g)	14,015	(97)	13,918	19,345	14	19,359
Loss on disposal of property, plant and equipment	260	–	260	1,612	–	1,612
Loss on disposal of assets held for sale	41	–	41	2	–	2
Amortization of intangible assets (b)	621	(204)	417	583	(209)	374
Equity in loss of unconsolidated joint venture (g)	–	223	223	–	–	–
Operating income before the undernoted	18,776	161	18,937	23,196	164	23,360
Interest expense, net (b)	5,790	619	6,409	6,440	563	7,003
Foreign exchange (gain) loss (b)	(17,862)	(183)	(18,045)	8,236	114	8,350
Realized and unrealized loss on derivative financial instruments (d)	22,826	2,328	25,154	7,618	(5,140)	2,478
Other income	(200)	–	(200)	(3)	–	(3)
Income before income taxes	8,222	(2,603)	5,619	905	4,627	5,532
Current income taxes	1,264	–	1,264	62	–	62
Deferred income taxes (recovery) (h)	467	(411)	56	1,960	595	2,555
Net income (loss) and comprehensive income (loss) for the period	6,491	(2,192)	4,299	(1,117)	4,032	2,915
Deficit, beginning of the period	(147,909)	(269)	(148,178)	(5,521)	(3,423)	(8,944)
Deficit, end of the period	$(141,418)	$(2,461)	$(143,879)	$(6,638)	$609	$(6,029)
Per share information						
Net income (loss) – basic	$0.18	$(0.06)	$0.12	$(0.03)	$0.11	$0.08
Net income (loss) – diluted	$0.18	$(0.06)	$0.12	$(0.03)	$0.11	$0.08
EBITDA	$26,028	$(2,157)	$23,871	$18,139	$5,012	$23,151
Consolidated EBITDA (as defined within our credit agreement) (i)	$31,978	$ –	$31,978	$36,226	$ –	$36,226

(dollars in thousands, except per share information)	Six months ended September 30,					
	2009 – (restated (j) Canadian GAAP)	Adjustments	2009 (US GAAP)	2008 (restated (j) Canadian GAAP)	Adjustments	2008 (US GAAP)
Revenue (g)	$318,213	$(992)	$317,221	$539,270	$ –	$539,270
Project costs (g)	120,512	(813)	119,699	303,592	–	303,592
Equipment costs	90,403	–	90,403	113,197	–	113,197
Equipment operating lease expense	28,033	–	28,033	18,384	–	18,384
Depreciation (a)	20,088	62	20,150	18,003	62	18,065
Gross profit	59,177	(241)	58,936	86,094	(62)	86,032
General and administrative costs (c) and (g)	29,081	(187)	28,894	38,561	29	38,590
Loss on disposal of property, plant and equipment	301	–	301	2,756	–	2,756
(Gain) loss on disposal of assets held for sale	(276)	–	(276)	24	–	24
Amortization of intangible assets (b)	1,323	(413)	910	1,077	(418)	659
Equity in loss of unconsolidated joint venture (g)	–	32	32	–	–	–
Operating income before the undernoted	28,748	327	29,075	43,676	327	44,003
Interest expense, net (b)	11,758	1,203	12,961	12,889	1,068	13,957
Foreign exchange (gain) loss (b)	(37,077)	(404)	(37,481)	6,595	91	6,686
Realized and unrealized loss on derivative financial instruments (d)	32,847	2,328	35,175	5,353	(4,408)	945
Other expense (income)	333	–	333	(21)	–	(21)
Income before income taxes	20,887	(2,800)	18,087	18,860	3,576	22,436
Current income taxes	1,264	–	1,264	62	–	62
Deferred income taxes (h)	3,062	(465)	2,597	5,334	368	5,702
Net income and comprehensive income for the period	16,561	(2,335)	14,226	13,464	3,208	16,672
Deficit, beginning of the period	(157,979)	(126)	(158,105)	(21,093)	(1,608)	(22,701)
Change in accounting policies related to inventories (f)	–	–	–	991	(991)	–
Deficit, end of the period	$(141,418)	$(2,461)	$(143,879)	$(6,638)	$609	$(6,029)
Per share information						
Net income – basic	$0.46	$(0.07)	$0.39	$0.37	$0.09	$0.46
Net income – diluted	$0.45	$(0.06)	$0.39	$0.36	$0.09	$0.45
EBITDA	$54,056	$(1,948)	$52,108	$50,829	$4,288	$55,117
Consolidated EBITDA (as defined within our credit agreement) (i)	$51,372	$ –	$51,372	$66,353	$ –	$66,353

Extract of the Interim Consolidated Balance Sheets

The following table highlights the differences between Canadian and US GAAP on the Interim Consolidated Balance Sheets. We have focused on the line items that have been impacted by the GAAP differences.

(dollars in thousands, except per share information)	September 30, 2009 (restated (j) Canadian GAAP)	Adjustments	September 30, 2009 (US GAAP)	March 31, 2009 (restated (j) Canadian GAAP)	Adjustments	March 31, 2009 (restated (j) US GAAP)
Cash and cash equivalents (g)	$97,716	$(225)	$97,491	$98,880	$ –	$98,880
Accounts receivable, net (g)	87,893	(1,189)	86,704	78,323	–	78,323
Unbilled revenue (g)	67,615	(161)	67,454	55,907	–	55,907
Prepaid expenses and deposits (g)	7,453	(10)	7,443	4,781	–	4,781
Property, plant and equipment (a)	340,610	598	341,208	315,455	660	316,115
Intangible assets (b)	7,948	(1,470)	6,478	6,711	(767)	5,944
Deferred financing costs (b)	–	7,390	7,390	–	7,910	7,910
Investment in and advances to unconsolidated joint venture (g)	–	954	954	–	–	–
Accounts payable (g)	(70,167)	631	(69,536)	(56,204)	–	(56,204)
Senior notes (b) and (d)	(210,396)	(4,348)	(214,744)	(252,899)	(2,857)	(255,756)
Deferred tax liabilities (h)	(31,815)	(958)	(32,773)	(29,322)	(1,423)	(30,745)
Common shares (e)	(299,973)	(3,458)	(303,431)	(299,973)	(3,458)	(303,431)
Additional paid-in capital (c) and (h)	(6,817)	(215)	(7,032)	(5,275)	(191)	(5,466)
Deficit (a) - (d) and (f) - (h)	141,418	2,461	143,879	157,979	126	158,105

Canadian and United States accounting policies differences

A detailed reconciliation of our results for the second quarter 2010 is included in note 24 of our interim consolidated financial statements for the three and six months ended September 30, 2009.

The differences between US GAAP and Canadian GAAP that have the most significant impact on our financial position and results of operations for the three and six months ended September 30, 2009, include accounting for: capitalization of interest, financing costs, discounts and premiums, derivative financial instruments, stock-based compensation, and modification of Series B Preferred Shares.

a) Capitalization of interest

US GAAP requires capitalization of interest costs as part of the historical cost of acquiring certain qualifying assets that require a period of time to prepare for their intended use. This is not required under Canadian GAAP. The capitalized amount is subject to depreciation in accordance with our policies when the asset is placed into service.

b) Financing costs, discounts and premiums

Under US GAAP, deferred financing costs incurred in connection with our senior notes are being amortized over the term of the related debt using the effective interest method. Prior to April 1, 2007, for Canadian GAAP purposes, these transaction costs were recorded as a deferred asset under Canadian GAAP and these deferred financing costs were being amortized on a straight-line basis over the term of the debt.

Effective April 1, 2007, we adopted CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement", on a retrospective basis without restatement as described below. Although Section 3855 also requires the use of the effective interest method to account for the amortization of finance costs, the requirement to bifurcate the issuer's early prepayment option on issuance of the debt (which is not required under US GAAP) resulted in an additional premium that is being amortized over the term of the debt under Canadian GAAP. In addition, foreign denominated transaction costs, discounts and premiums are considered as part of the carrying value of the related financial liability under Canadian GAAP and are subject to foreign currency gains or losses resulting from periodic translation procedures as they are treated as a monetary item under Canadian GAAP. Under US GAAP, foreign denominated transaction costs are considered non-monetary and are not subject to foreign currency gains and losses resulting from periodic translation procedures.

In connection with the adoption of Section 3855, transaction costs incurred in connection with our revolving credit facility of $1.6 million were reclassified from deferred financing costs to intangible assets on April 1, 2007 under Canadian GAAP and these costs continue to be amortized on a straight-line basis over the term of the facility. Under US GAAP, we continue to amortize these transaction costs over the stated term of the related debt using the effective interest method. We disclose the financing costs for both the senior notes and the Revolving Facility as deferred financing costs on the Consolidated Balance Sheets with the amortization charge classified as interest on the Consolidated Statements of Operations and Comprehensive Income. Under Canadian GAAP, the financing costs related to the senior notes are included in the "Senior notes" balance on the Consolidated Balance Sheets.

c) Stock-based compensation

Up until April 1, 2006, we followed the provisions of ASC 718, "Share-Based Payment" (formerly Statement of Financial Accounting Standards No. 123, "Stock-Based Compensation"), for US GAAP purposes. As we use the fair value method of accounting for all stock-based compensation payments under Canadian GAAP, there were no differences between Canadian and US GAAP prior to April 1, 2006. On April 1, 2006, we adopted the provisions of Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment" ("SFAS 123R"), which is now a part of ASC 718. As we used the minimum value method for purposes of complying with Statement of Financial Accounting Standards No. 123, we were required to adopt the provisions under the revised guidance prospectively. Under Canadian GAAP, we were permitted to exclude volatility from the determination of the fair value of stock options granted until the filing of our initial registration statement relating to our initial public offering of voting shares on July 21, 2006. As a result, for options issued between April 1, 2006 and July 21, 2006, there is a difference between Canadian and US GAAP relating to the determination of the fair value of options granted.

d) Derivative financial instruments

Under Canadian GAAP, we determined that the issuer's early prepayment option included in the senior notes should be bifurcated from the host contract, along with a contingent embedded derivative in the senior notes that provide for accelerated redemption by the holders in certain instances. These embedded derivatives were measured at fair value at the inception of the senior notes and the residual amount of the proceeds was allocated to the debt. Changes in fair value of the embedded derivatives are recognized in net income and the carrying amount of the senior notes is accreted to par value over the term of the notes using the effective interest method and is recognized as interest expense as discussed in b) above. Prior to April 1, 2007 under Canadian GAAP, separate accounting of embedded derivatives from the host contract was not permitted by EIC-117.

Under US GAAP, ASC 815 (formerly Statement of Financial Accounting Standards 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. The contingent embedded derivative in the senior notes that provide for accelerated redemption by the holders in certain instances met the criteria for bifurcation from the debt contract and separate measurement at fair value. The embedded derivative has been measured at fair value and changes in fair value recorded in net income for all periods presented. The issuer's early prepayment option included in the senior notes does not meet the criteria as an embedded derivative under ASC 815 (formerly SFAS 133) and was not bifurcated from the host contract and measured at fair value resulting in a US GAAP and Canadian GAAP difference.

On adoption of CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement", we reviewed the accounting treatment of a number of outstanding contracts and determined that a price escalation feature in a revenue construction contract and supplier contracts entered into prior to April 1, 2007 contained embedded derivatives that are not closely related to the host contract under Canadian GAAP. We recorded the fair value of these embedded derivatives on April 1, 2007 of $9.7 million, with a corresponding increase in opening deficit of $7.0 million, net of future income taxes of $2.8 million for Canadian GAAP purposes. Under US GAAP, we had recognized and measured these embedded derivatives since inception of the related contracts.

e) NAEPI Series B Preferred Shares

Prior to the modification of the terms of the North American Energy Partners Inc. ("NAEPI") Series B preferred shares on March 30, 2006, there were no differences between Canadian GAAP and US GAAP related to the NAEPI Series B preferred shares. As a result of the modification of terms of NAEPI's Series B preferred shares, under Canadian GAAP, we continued to classify the NAEPI Series B preferred shares as a liability and was accreting the carrying amount of $42.2 million on the amendment date (March 30, 2006) to their December 31, 2011 redemption value of $69.6 million using the effective interest method. Under US GAAP, we 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 US GAAP, we were accreting the initial fair value of the amended NAEPI Series B preferred shares of $45.9 million recorded on their

amendment date (March 30, 2006) to the December 31, 2011 redemption value of $69.6 million using the effective interest method, which was consistent with the treatment of the NAEPI Series B preferred shares as temporary equity in the financial statements of NAEPI. The accretion charge was recognized by us as a charge to minority interest (as opposed to retained earnings in the accounts of NAEPI) under US 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 NAEPI Series B preferred shares in exchange for 7,524,400 common shares of NAEPI. For Canadian GAAP purposes, we recorded the exchange by transferring the carrying value of the NAEPI Series B preferred shares on the exercise date of $44.7 million to common shares. For US GAAP purposes, the conversion has been accounted for as a combination of entities under common control as all of the shareholders of the NAEPI Series B preferred shares are also common shareholders of NAEPI, resulting in the reclassification of the carrying value of the minority interest on the exercise date of $48.1 million to common shares. NACG and NAEPI were amalgamated later in 2006 and the amalgamated entity continued as NAEPI.

f) Inventories

Effective April 1, 2008, we retrospectively adopted CICA Handbook Section 3031, "Inventories", without restatement of prior periods. This standard requires inventories to be measured at the lower of cost and net realizable value and provides guidance on the determination of cost, including the allocation of overheads and other costs to inventories, the requirement for an entity to use a consistent cost formula for inventory of a similar nature and use and the reversal of previous write-downs to net realizable value when there are subsequent increases in the value of inventories. This new standard also clarifies that spare component parts that do not qualify for recognition as property, plant and equipment should be classified as inventory. In adopting this new standard, we reversed a tire impairment that was previously recorded at March 31, 2008 in other assets of $1.4 million with a corresponding decrease to opening deficit of $1.0 million net of future taxes of $0.4 million.

During the year ended March 31, 2008, the replacement cost (i.e. market) of spare tire inventory was lower than the original carrying amount of inventory. As a result, we recorded an inventory write-down of $1.4 million under Canadian GAAP. Under US GAAP, market means current replacement cost. However, market under US GAAP should not exceed the net realizable value nor should it be less than net realizable value reduced by an allowance for a normal profit margin. We established that the net realizable value and net realizable value less an allowance for a normal profit margin was greater than or equal to cost and as such a write-down of spare tires was not appropriate under US GAAP for the year ended March 31, 2008. Please refer to note 3 aa) of our restated interim consolidated financial statements for the three and six months ended September 30, 2009.

g) Joint venture

We own a 49% interest in Noramac Ventures Inc., a nominee company for our Noramac Joint Venture (JV) and we have joint 50/50 control of this entity. Under US GAAP, we record our share of earnings (loss) of the JV using the equity method of accounting. Under Canadian GAAP, we use the proportionate consolidation method of accounting for the JV. Under the proportionate consolidation method, we recognize our share of the results of operations, cash flows, and financial position of the JV on a line-by-line basis in our consolidated financial statements and eliminate our share of all material intercompany transactions with the JV. While there is no impact on net income or earnings per share as a result of the US GAAP treatment of the JV, as compared to Canadian GAAP, there are presentation differences affecting the disclosures in the consolidated financial statements and supporting notes.

h) Other matters

Other adjustments relate to the tax effect of items (a) through (f) above. The tax effects of temporary differences are described as future income taxes under Canadian GAAP whereas in these financial statements such amounts are described as deferred income taxes under US GAAP. In addition, Canadian GAAP generally refers to additional paid-in capital as contributed surplus for financial statement presentation purposes.

i) Consolidated EBITDA

A difference arises in computing EBITDA for the three and six months ended September 30, 2009 and September 30, 2008 respectively as a result of US GAAP and Canadian GAAP differences stated above (a) to (d) and (f). Under US GAAP, equity in loss of unconsolidated joint venture is added back in computing consolidated EBITDA for the three and six months ended September 30, 2009 and September 30, 2008 respectively.

j) Restatement

The financial statements for the three and six months ended September 30, 2009 and 2008, respectively, under Canadian GAAP, have been restated to correct the following errors identified during the preparation of our fiscal 2010 financial statements:

i) **Reclassification of accrued liabilities:** The financial statements for fiscal 2009 have been amended to correct a classification error with respect to accrued liabilities identified during the preparation of our fiscal 2010 consolidated financial statements. Certain operating lease agreements provide a maximum hourly usage limit,

above which we will be required to pay for the over hour usage. These contingent rentals are recognized when payment is considered probable and are due at the end of the lease term. We have historically classified the contingent rentals as a current liability; however, certain amounts are due beyond one year from the balance sheet date. In the current year, we reclassified amounts due beyond one year, from the balance sheet date, as a long-term liability and reclassified comparative figures accordingly. The amounts reclassified on the Consolidated Balance Sheet were $7.4 million and $7.1 million as at September 30, 2009 and March 31, 2009, respectively;

ii) **Buy-out of leased assets:** The financial statements for fiscal 2008 have been amended under Canadian GAAP to correct an error related to the method of accounting for an incentive at the time of buying previously leased assets, which was identified during the preparation of our fiscal 2010 consolidated financial statements. When an asset is leased under an operating lease agreement, as stated in the paragraph above, contingent rentals are recognized when payment is considered probable and are due at the end of the lease term. We can buy the asset at the end of the lease term at a pre-determined market price at which point the liability is extinguished since the lease agreement is cancelled. We have been traditionally extinguishing the liability for such lease buyouts by reducing equipment costs related to leased equipment, instead of considering the extinguishment of the liability as an incentive to purchase the asset and therefore reducing the cost of the asset. The correction of this error increased "Equipment costs" by $nil and $6.6 million, reduced "Depreciation" by $0.2 and $0.3 million, increased (reduced) "Future income taxes" by $nil and $(1.9) million and increased (reduced) "Net (loss) income and comprehensive (loss) income for the year" by $0.1 million and $(4.4) million from the amounts originally reported in the Consolidated Statements of Operations and Comprehensive Income for the three and six months ended September 30, 2008. The financial statements for fiscal 2009 have also been amended under Canadian GAAP to correct an error related to the method of accounting for an incentive at time of buying previously leased assets, which was identified during the preparation of our fiscal 2010 consolidated financial statements as stated above. The correction of this error reduced "Depreciation" by $0.2 million and $0.4 million, reduced "Future income taxes" by $0.1 million and $0.1 million and increased "Net Income and comprehensive income" by $0.1 million and $0.3 million from the amounts originally reported in the Consolidated Statements of Operations and Comprehensive Income for the three and six months ended September 30, 2009. It also reduced "Property, plant and equipment" by $8.2 and $8.6 million, reduced long-term "Future income tax" by $2.5 million and $2.6 million and increased "Deficit" by $5.7 million and $6.0 million from the amounts originally reported in our Consolidated Balance Sheet as at September 30, 2009 and March 31, 2009, respectively; and

iii) **Valuation of derivative financial instruments:** The financial statements for fiscal 2009 have been amended under Canadian GAAP to correct an error related to the determination of the fair value of the cross-currency and interest rate swap liabilities, collectively the "swap liability", which was identified on settlement of the swap liability on April 8, 2010. We recorded the fair value of the swap liability and in addition recorded accrued interest on the swap liability. This resulted in the swap liability being overstated and the changes in the fair value of the swap liability being misstated by the change in the amount of the accrued interest during each reporting period from March 31, 2009. The periods before March 31, 2009 were not materially impacted because prior to February 2, 2009, the US dollar interest rate swap was still in place (see "Interest rate risk" in Quantitative and Qualitative Disclosures about Market Risk section) and therefore the net accrued interest payable was not material. The error reduced "Realized and unrealized loss (gain) on derivative financial instruments" by $6.6 million and $0.3 million, increased (reduced) income tax expense by $1.1 million and $(0.4) million and increased net income by $5.5 million and $0.7 million from amounts originally reported in the Interim Consolidated Statements of Operations and Comprehensive Income for the three and six months ended September 30, 2009. It also reduced "Derivative financial instruments" by $7.9 million and $7.5 million increased long-term "Future income taxes" by $1.3 million and $1.7 million and reduced "Deficit" by $6.5 million and $5.8 million in the Consolidated Balance Sheet as at September 30, 2009 and March 31, 2009, respectively.

Management's Discussion and Analysis under US GAAP

Please refer to our restated consolidated financial statements for the three and six months ended September 30, 2009 and accompanying Management's Discussion and Analysis (MD&A) under US GAAP. The differences between US GAAP and Canadian GAAP, described above, impact the discussion and analysis in several sections of our restated MD&A.

Additional information

The consolidated financial statements and additional information relating to us, including our Annual Information Form dated June 10, 2010, are available on the Canadian Securities Administrators' SEDAR System at www.sedar.com, the Securities and Exchange Commission's website at www.sec.gov and our company web site at www.nacg.ca.