

North American Energy Partners Inc.
Wednesday, August 31, 2005

C Chairperson Bernie Robert
S Speakers

Operator: Welcome to the North American Energy Partners Inc. conference call. I would like to introduce your chairperson, Mr. Bernie Robert.

C: Good afternoon Ladies and Gentlemen and welcome. My name is Bernie Robert, and on behalf of North American Energy Partners Inc. I would like to thank you for joining us on today's conference call. Also participating in the call from North American are Mr. Rod Ruston, President and CEO, Mr. Chris Hayman, Vice President of Finance, and Mr. Bill Koehn, Vice President of Operations. Today we will discuss our first quarter financial results as presented in our press released issued on Monday, August 29th, 2005. If you need a copy of the release, you can obtain one from our website at www.naepi.ca and look under the recent news section. A transcript of this call will also be available on our website in a few days. Before I turn the call over to Rod, I would like to remind everyone that statements made during this conference call, whether in prepared remarks or in the Q&A session, that refers to management's expectations or predictions of the future are forward-looking statements. We believe it is in the best interest of our security holders and the investing community for us to make forward-looking statements in our press releases and in today's call. All statements made today that are not statements of historical fact are forward-looking statements. The business prospects of North American are subject to a number of risks and uncertainties that may cause actual results in the future to differ materially from forward-looking statements. For information related to the risks and uncertainties that could cause actual results to differ materially from projections made in the press release or in today's conference call, please refer to our registration statement filed with the Securities and Exchange Commission and available on EDGAR. At this time, I will turn the call over to our CEO, Mr. Rod Ruston. Go ahead, Rod.

Rod Ruston: Thanks Bernie. Good afternoon Ladies and Gentlemen. As you're all aware from our recent press release, the financial results for the first quarter showed an improvement over the comparable period last year. The company achieved revenues totaling \$104 million, up by \$33.5 million on the same period last year, with a gross profit of \$14 million, and operating income of almost \$7 million. While these results are below the recently released fourth quarter 2005 results, we are pleased with our performance given that the first quarter is traditionally the lower activity portion of the year. Contributing to the results were a number of projects, the biggest of which was

the CNRL Site Grading contract, where we earned \$31 million in revenue. This project continues to be profitable and is on schedule to meet its milestone targets set by the customer. Our ten-year Overburden contract, also with CNRL, commenced in June and we hit the project running with that start. Our planning and our mobilization went so well that we were able to deliver an early start on the project to our customer. We're now over 200,000 BCM's ahead of our original plan, and we expect to be able to stay ahead of our plan. This is in spite of weather delays in the Fort McMurray area being significantly greater than the norm. As part of this project, construction of the shop facility on the CNRL site continues and is on schedule with respect to both budget and time. Other areas of our work continue to respond positively to the strong economic environment. Our piling division has and continues to perform well with very high demand for its services. Our pipeline group, while being down compared to its peak performance in 2004, is looking at a very good pipeline, if you'll excuse the pun, of work through the forthcoming winter. As you're all aware, the status of internal controls within our business was an important issue in relation to our financial difficulties and the subsequent restructuring earlier this year. The improvement project that was put in place to address this issue has continued over the quarter with the result that our confidence level on the gathering and analysis of data, the invoicing and following up of work completed, and the forecasting of our business performance has become significantly better. Importantly, the improved processes being implemented are being well accepted and have been recognized as adding value with respect to more accurate decision making across the group. With that Ladies and Gentlemen, I'm going to call on our Vice President of Finance, Chris Hayman, to elaborate a bit more on the financial results for the quarter.

Chris Hayman: Thanks, Rod and thank you for joining us on our first quarter conference call. Welcome back to those of you that were on our August 3rd conference call to discuss year end results. I will start my overview by reviewing some of the non-recurring activity that took place in the first fiscal quarter. As most of you no doubt know, we issued \$60.5 million U.S. in senior secured notes and established a new revolving credit facility, which was done concurrent with the retirement of the existing term and revolving credit facilities. Accordingly, \$6.3 million of fees related to the new debt and \$1.8 million of unamortized fees related to the previous facility were expensed through our earnings in the quarter. Foreign exchange gains of \$2.2 million were also realized on the new senior secured notes which remain unhedged. Finally, 300,000 in monitoring fees were paid to accounting and legal firms prior to the re-financing. All of these items are excluded in our calculation of EBITDA for debt covenant purposes. As such, the company is determined EBITDA for such purposes to be \$10.8 million. As Rod mentioned and as has been discussed previously, our first fiscal quarter is traditionally our lightest quarter as spring break up in northern Canada makes certain sites very difficult to work on. Revenue for the first quarter ending June 30, 2005, was \$104.4 million compared to \$70.9 million for the first fiscal quarter of last year. The major reasons for the

net increases in revenue are as follows. Mining and site preparation revenue was up \$36 million as revenue from our two largest contracts, CNRL Site Grading and from Grande Cache Coal, amounted to \$30.6 and \$14.4 million respectively. Total revenue on the Albion site was \$4.9 million compared to \$6.3 million last year as they continued to demand less of our services. Work under the Syncrude FOM contract increased by \$700,000 to \$7.9 million. Revenue from the Syncrude UE1 project decreased by \$9 million to \$7.2 million in Q1 due to the winding down of this multi-year project. The CNRL Overburden contract, which as Rod mentioned just got underway, earned \$2.6 million in revenue this quarter. Our piling division recorded a \$6.7 million increase in revenue primarily due to an increase in driven piling work. Driven piles involve significantly more third party materials than our drilled pile work. As a result, our revenue for equipment hours has varied significantly from other prior quarters. EnCana and our pipeline division reduced their drilling program in the Sierra region of northeastern British Columbia and our revenue dropped in this segment to \$1.7 million from last years volume of \$10.8 million. As the company's mix of work shifts from primarily cost plus type work to a balance of cost plus and unit price type work, the company has evaluated its policy for recognizing revenue for claims in progress. Applying the criteria as laid out in the relevant accounting guidance, the company has recognized \$5.3 million in revenue on claims. As I'm sure you can appreciate, the criteria for recognizing such revenue for accounting purposes requires a very high degree of certainty in the collectability of such claims. This change has primarily been made by the company to better match revenue with the expenses that are expected to be incurred to complete the required work. The company has reviewed its historical results and believes that due to the nature of the contracts performed previously, there is no impact on our previously reported results. While the claims relate to the two major site grading jobs we are working on, I am sure you can understand that due to the sensitive nature of such issues, it would not be beneficial to any of the parties to discuss the issues in any further detail. However, let me state that given the aforementioned traditionally very conservative nature of revenue recognition for accounting purposes, this amount represents only a portion of the total claims that North American is pursuing. We are working with both customers to evaluate the facts and issues. In both cases, particularly with the current primary site grading job, we would characterize this process as normal course to completing any large and complex project and would characterize the relationships with this customer as amicable and professional. Gross profit increased by \$4.8 million to \$12.9 million and a 12.4 percent of revenue from 11.4 percent of revenue in Q1 of 2004. As a percentage of revenue, lower project costs and lower depreciation offset by higher operating lease expenses and marginally higher equipment costs accounted for the increase in gross profit margins. The company continues to shift to more operating leases to better match cash flow requirements and in certain cases to meet customer requirements. This will have the impact of lowering depreciation expense as a percentage of revenue now and in the future. General and administrative expenses were \$7.2 million in this fiscal quarter. As previously mentioned, these

included \$300,000 of monitoring fees paid to bank appointed accounting or legal firms. In addition, the company incurred approximately \$700,000 in other accounting and legal fees during the restatement period. Normalize for these results; the company believes this amount of G and A represents a sustainable level of general and administrative expenses for our current level of activity. Capital expenditures for the quarter amounted to \$5.7 million. Of this, \$4.4 million relates to growth capital, including \$1.6 million for the CNRL shop. Remaining capital is primarily maintenance. While little has change din our full-year outlook from what was discussed at the beginning of the month, the company experienced wetter than expected weather through late July and into August, which will likely have an impact in lowering anticipated Q2 results. To the extent of the work remains to be completed, the company is expecting to make up a large portion of the probable Q2 shortfall in Q3 and Q4. I will conclude my comments by adding that the company is pleased to be getting back to a normal reporting schedule. We will be filing our 20-F, the last of our fiscal 2005 regulatory filings on or before the September 27th due date. Those are the financial highlights. I'll turn the call over to Bill Koehn now, to talk about our operating results and our projects.

Bill Koehn: Thanks Chris. I will discuss some of the highlights form our operating units and provide you a little bit more detail. First, the CNRL Site Grading project, which involves moving over 14 million cubic metres of material and the construction of ponds, access roads, haul roads, and specific plant areas to prepare the site for construction of the upgrader and/or related facilities. Included with this work is the installation of over 56,000 lineal metres of underground piping. At the end of June, we had moved over 9.8 million cubic metres of earth and installed 14,600 lineal metres of pipe. The complexity of the project naturally results in a need to reorganize priorities from time to time during the execution. We see that having the flexibility to adapt to the changing environment is a key success factor. From the start of the project, we have worked closely with CNRL doing as much as possible to meet the projects schedule albeit with changing areas of focus while ensuring we are operating profitably. What does this mean? It means that some parts that were initially scheduled early are now not required until later and some later parts have been scheduled for earlier completion and some additional scopes added. The key is, we are profitable, we are delivering for the customer. The CNRL Overburden contract up to the end of June, we had moved a total of 509,000 bank cubic metres of material. In addition, we completed installation of all the required dewatering ditches for the 2005 calendar year. Overburden removal commenced three weeks ahead of schedule in June. Production to date, as Rod had mentioned, is ahead of the planned schedule. Targets are being achieved and a relationship between CNRL and us continues to develop positively. The procurement of the mining equipment for this contract continues to be a key focal point. Our progress in leasing is well advanced and once completed will deliver to us two Hitachi EX8000 shovels, they are 52 cubic yard capacity machines, and seven large Hitachi -Euclid EH5000 haul trucks of 330 ton capacity, as well as

support equipment. Over the life of the contract, there will be of course further equipment added as we ramp up to full production. As you are aware, the supply of tires from mining equipment worldwide continues to be an issue. In this regard, we have secured tires for six of the new trucks and are actively sourcing tires for the seventh truck, which arrives next year. Work on the Opti project during the quarter amounted to \$4.7 million in revenue, all done on an hourly cost plus basis. Completion is still expected by the end of September. Production on the Grande Cache Coal project was impacted by weather, equipment availability, pit configuration, and labour availability during the start up phase of this contract in fiscal 2005. However, over the last few months output levels have steadily been increasing to the point where they are now close to target. This has been achieved through close cooperation between the customer and ourselves in the area of mine planning and through operational improvement, such as equipment utilization, appointment of a new mine manager, and changes to the shift schedule structure. While some performance issues have caused friction, the two parties are working closely to improve production and efficiency. A demonstration of this is the improved production. On the Syncrude UE1 project, we continue to supply construction management services as well as direct hire forces and equipment to complete work on this large expansion project. This project has been an excellent example of the ability of North American to provide long-term contract services to a very important customer. Throughout the last quarter, we completed underground piping installation and site grading activities as well as support functions, such as road maintenance, crane pad construction, and miscellaneous support equipment supply. A similar sort of profile has been ongoing in the current quarter. Regarding Syncrude in general, we continue to supply services to Syncrude on these additional projects, reclamation, our FOM contract, which is fully operated and maintained equipment on an hourly basis at both the base mine and their satellite Aurora mine site. In addition, we've also been completing work on the southwest quadrant replacement project. All projects for Syncrude are going as planned. On the Albian site, Albian is a mature business and our workload is not expected to continue at the levels of the past. We continue to have a good relationship with this customer and still secure significant work in a variety of areas. On the DeBeers project in northern Ontario, we completed some initial work last winter for which they are very satisfied. Under a mutually beneficial arrangement, we left our equipment on site over the summer period to complete some minor support activities that were going on on site, as well as to position ourselves and DeBeers to get a major head start on the main site grading activities this winter. We are currently finalizing negotiations on the contract. In our pipeline division, Encana reduced their drilling program last year and our field operations were significantly reduced. We supplied labour and equipment for the installation of mainline, well tie-ins, and pipe fabrications for pumping stations. At present, we are completing similar work to that just mentioned for EnCana's summer program at a reduced scale. We are in discussion with EnCana now for this coming winter's program is planned to be completed on an hourly arrangement. We are also deploying our pipeline resources on the CNRL Site Grading project and exploring other areas

of diversification. Now, let's briefly talk about our piling division. The continuing shining light in our company, in a business where demand is significantly in excess of supply in all of our operating regions. We have piling jobs doing significant work on three of the biggest projects in the Fort McMurray area, Suncor, Opti, and CNRL. We also had a large number of infrastructure projects for bridges, overpasses, schools, casinos, and other structures ranging from a few hundred dollars in size to ten million and higher. We see this trend continuing as the economy in western Canada remains very strong and the up and coming 2010 winter Olympics in Vancouver, as well as the Centennial celebrations in debt-free Alberta. I will now pass it back to Rod. Thank you.

Rod Ruston: Thank you very much, Bill. In summary, Ladies and Gentlemen, we've had a reasonable quarter but there is more work to go yet to get us back to where we want to be. We are re-establishing strong relationships with our customers, which were slightly jaded as a result of our financial issues earlier in the year. We're focusing strongly on controlled processes within the organization and we are executing our contracts in a profitable fashion. Looking forward, we have a high proportion of known contracts in place for the remainder of the year and we see the high demand in the market from which we believe we can access additional work. With that, Ladies and Gentlemen, I'll hand over to our facilitator to call for questions.

Operator: Thank you. Ladies and Gentlemen, to join the question queue please press the numbers zero-one. If you wish to withdraw your question, press the pound key. If you have any questions at this time, please press zero-one now. Our first question comes from Mark Brostowski with Regiment. Please proceed with your question.

S: Yeah. Hi. Can you just talk about the -- where you stood with regards to your covenants for the end of the quarter and what the tests were?

Chris Hayman: Yes, it's Chris Hayman here, Mark. There are three tests that we have under our covenants. The first one is a minimum EBITDA calculation. The second one is a fixed charge calculation, which factors in EBITDA versus our capex, interest and tax - type payments. And the third test is a leverage calculation, which is totaled debt to EBITDA. In all cases, we remain above our covenant levels and basically as we had expected to be at this point in time.

S: Right. And in your -- what was the market value of the hedge at the end of the second quarter?

Chris Hayman: At the end of the second quarter was -- I can tell you approximately right now. It's about \$57 million. I don't have the number at that June 30th though.

S: 57. So when you're -- on that leverage test when they're calculating that, do you need to add the 57 to the 320 so you've got like adjusted debt of 377 to -- is that how that's calculated?

Chris Hayman: No. No. It doesn't impact there. What it does impact is our borrowing base is impacted by that hedge amount. So it -- the borrowing base of our assets less the value of the hedge with ranks pari-pasu with our other first lean debt.

S: Right.

Chris Hayman: -- is calculated in determining our borrowing availability. And then our -- whatever cash we have as well would impact that.

S: Okay. And then with regards to the \$5.3 million claim, that was from -- can you just -- is that from prior work that was booked in this quarter or where -- when was that -- what was that claim for? What time period?

Chris Hayman: As I'm sure you can understand, and we don't want to get into too details on it as it relates to our customers and discussions that we'll be having with them --

S: Right.

Chris Hayman: -- the main of the claim is really to make sure we're recognizing our revenue with our expenses. When we do forecast for work to complete, we do need to include those expenses. So as we were saying to the extent that there's a very high probability of certainty, we do therefore include some of the revenue which does provide matching of revenue expenses. I'd be loathed to get into much more details than that, Mark.

S: But that was for work done in the period -- in the quarter?

Chris Hayman: It would be work done in -- throughout.

S: Throughout. What I'm trying to understand -- I'm just trying to get a better feel for it because, you know, if that's for prior work and then back it out then adjusted EBITDA would be 5.8 and then I'm just trying -- it doesn't seem like the CNRL project and the Grande Cache is actually -- the contribution margin there is pretty low, so that -- I'm just trying to get a better feel for the timing of that.

Chris Hayman: Yeah. And I appreciate the calculations you're trying to do, Mark. I can assure you that there's portions that relate to the current

quarter where we're matching revenue and expenses, there is some that relates to prior quarters, but I -- it would just be inappropriate for us to get into more detail than that.

S: All right. And how's that -- and then the last question is, I missed your comment on the weakness in the second quarter. Can you -- let me ask you this then, is the \$5.3 million claim what -- is that booked -- what sector is that booked in? Is that booked in the mining segment.

Chris Hayman: Yeah. The \$5.3 million claim within our mining and site preparation division.

S: Okay. And then lastly, the -- I missed your comments on the weakness in the second quarter. Can you just kind of give us more detail on where that's going to be?

Rod Ruston: Really all we've said is that July and August have been very wet months compared to the norm. That's slowed down a little bit of work on the site grading. Hasn't had as big an effect on the Overburden, but certainly had some effect. And effected other areas, particularly in the Fort McMurray area and Grande Cache. The stuff in the Fort McMurray area in particular, the work still has to be done. It's now sunny up there and we're going full boar ahead. It's just that July and the first bit of August was a bit slower than we otherwise expected.

S: Okay. Thank you.

Operator: Thank you. Our next question comes from Marianna Kushnir with Nomura Asset Management. Please proceed with your question.

S: Hi. I guess my question is somewhat similar than the caller before me. I still didn't understand \$5.3 million in revenue. What kind of margin was recognized on that revenue in the quarter?

Chris Hayman: Again Marianna, I appreciate the question and I appreciate the question probably most of you have is trying to determine the calculations. The most detailed we can get into the answer is that there is a portion that relates to work in the current quarter. It would attract normal margins relating to that type of work, but it really is inappropriate for us to get into much more detail than that at this point in time.

S: But you said you recognized this revenue because it -
- in this quarter because it was better matched with cost. So I mean is it reasonable to assume that there -- it's not just the revenue that was there, but also cost.

Chris Hayman: That would be a very reasonable assumption that there are costs there to complete that work. There are a series of criteria. The reasons for why we've looked at including very certain claims into our revenue in the quarter is because we feel it provides better accounting and better matching of revenue with expenses. There are other criteria as well. There has to be a high degree of certainty and there's a series of tests under the accounting regulations that we go through to ensure that that high degree of certainty exists before we would include that. So to the extent that a portion of the claims relate to prior quarters, we didn't have that certainty, so there is a portion that has come into this quarter because of high certainty. But again, your assumption overall I think would be quite valid.

S: So I guess subtracting 5.3 million out of the EBITDA to look at the number without it probably doesn't make sense.

Chris Hayman: It would not make sense. No.

S: Okay.

Rod Ruston: Can I just -- I just feel like I should give you a little bit more understanding of what we're talking about here. That if you take it just in simple terms, you know. You know just standard cost plus type contract situation, you just book the costs and you give the -- give the invoice. In a -- in some of our contracts when you go into a more fixed price contract, then what we're invoicing is what we bid and if we move more materials than what we bid, we still only invoice what we bid and the other stuff goes into a claim to say, We've moved more than we said. That's the sort of certainty that we've got on the numbers that we're putting forward.

S: All right. And in terms of weakness in the second quarter, I mean do you still expect -- do you expect EBITDA to be up year over year and would you expect it to be up sequentially because I understand the weather issues, but it's still an active quarter?

Chris Hayman: Yeah. The second quarter is an active quarter for us and we do expect that our year over year EBITDA would be higher than last year. However, given the guidance that we've given previously, we do feel it's important to make sure that people realize the second quarter might not be as high if you took our guidance for the overall year and tried to put it into quarters. Our second quarter earning stream will not be as high as if you did a previous profiling you might say of our quarterly revenues. And that's because of the weather.

S: But would it be still higher sequentially?

Chris Hayman: When you say higher sequentially --

S: Well, from June quarter --

Chris Hayman: Yes. And I think that would be a reasonable assumption that it would be higher sequentially.

S: Okay.

Chris Hayman: But not -- obviously not as high as our fourth quarter, which is our -- obviously our strongest quarter of the year.

S: Okay. And then I just don't understand. Like last year, I guess, you also had pretty wet weather. How is it -- how is this year comparing to last year?

Bill Koehn: Well, I haven't done any comparisons. It's Bill Koehn. I would say that, you know, it -- it's close, but I'm not going to say whether it's up more rain or not. I can't tell you that. I'm just going to say it's close.

S: Mm-hmm.

Chris Hayman: It's certainly higher than the averages that we experienced.

Bill Koehn: Year after year, yeah.

Chris Hayman: -- for our seasonal averages.

S: I was kind of surprised. I thought it was more -- mostly the southern part of Alberta that got hit with the rainfalls rather than the north part of Alberta.

Rod Ruston: The north part of Alberta wasn't hit with the same torrential rain that hit Calgary, but the north part, and if you can imagine the open dirt area that we've got up there, the north part was being hit with just quite heavy storms for short periods of the time in continuous days. And that upsets the earth moving process.

S: Okay. And also, last year when you were working on Opti-Nexen project, I guess you blamed weather as part of the reason for under performing on this project. I know looking at the contracts you're working today and taking the weather into a perspective, how could that potentially impact the performance on the projects?

Rod Ruston: We're working very, very closely with our customer on that issue. The customer has very clearly recognized that everywhere, not only our work and their work, but other areas up in Fort McMurray have been

impacted by the rain. So, as Bill said, with a project such as this when you bid the project, you bid it in -- that it's going to occur in a certain sequence of events. We've worked very closely with the customer to make sure that the impact of the rain on the actual business delivery has been quite minimal. And that's been done by working with them to say, Well, which bits are important? Well, this is more important than that and so on, and doing some rescheduling.

S: Okay. Okay. Thank you.

Operator: Thank you. Our next question comes from Kathryn Tsibulski with Jeffries. Please proceed with your question.

S: Hello.

Rod Ruston: Hello.

S: I have a question about the Opti-Nexen contract. I know that in your last conference call or perhaps it was the one before that, you discussed negotiations with Opti-Nexen. You were attempting to gain some potential rebates on some losses from that project. Have those negotiations progressed and I just wanted to confirm that that's not at all included in the 5.3 in revenues?

Rod Ruston: The negotiations have progressed. They're amicable negotiations between the parties. We're sending a list of the key items and issues and that we wish to raise, and we've been backing that list up by preparing information for the customer. The customer's now come back to us and asked for some more information in various places so discussions are continuing.

S: Okay. But that's not a part of the 5.3 in revenues?

Chris Hayman: There is a part --

Rod Ruston: There is a portion in there.

S: Could you give us a sense of the size of the portion?

Rod Ruston: No. No.

Chris Hayman: Unfortunately Kathryn --

S: I understand. One more quick question for you. Let's see. There's been some what of an uptake in the oil sands activity recently. Could you give us a sense of whether or not you see that in your market? How that's affecting your business?

Rod Ruston: We're very focused in that area of doing work for anyone who is -- has got a project in the oil sands area. Where an M and A activity is occurring and what we tend to do is sit on the sidelines, see where the outcome is, and then as soon after as the outcome is determined, we'll go along and we'll either meet or congratulate or whatever the issue is, the new players in the field. We've got a very strong process of putting ourselves out there and making sure that people know what our capabilities are.

S: Okay. Thank you very much.

Chris Hayman: Thanks Kathryn.

Rod Ruston: Okay.

Operator: Thank you. Our next question comes from John Zaehring with Loomis Sayles. Please proceed with your question.

S: Sure. Thank you. Question concerning the G and A cost line on your income statement. It has trended up in the last couple of orders. I assume that a good chunk of that increase reflects the additional administrative effort that goes into monitoring and controlling your cost situation. Is there any chance that that number is going to rise, fall, maybe -- maybe split the difference between where it had been and where it has been very recently?

Chris Hayman: I think you probably hit the nail on the head with the last piece. And certainly, you know, some of the guidance that we've tried to give over the call is that there is approximately \$1 million of that G and A this quarter that relates to what we would characterize as costs pertained to the restructuring activities. And so we certainly feel that normalize for those activities that should represent the level of G and A that we need to run the business as it continues to grow and to make sure that the cost monitoring and reporting -- all of those controls are put in place effectively.

S: So some of that cost can come out once you've got the control systems up and running smoothly?

Chris Hayman: I think we'll see that there will be some costs, for instance, that are in there that we'll see run for a few more quarters as we continue to work through our SOX project and continue to work through -- you know, making sure all of our controls are tight. But I would also add that there's approximately \$1 million that was incurred on and around the time of the refinancing. Not specifically related to the financing activities, but that xxx was paid to monitors prior to the refinancing, various legal counsel as we went through that process, but not directly related to the refinancing, audit firms, advisors, etcetera. There was a -- certainly a fair amount of costs incurred during that time that we don't believe will be sustained or required going forward.

S: Okay. Fair enough. Second question, or I guess sort of a group of questions, reflects the -- I guess questions regarding the kind of margins that you're making within each of your major, I guess, product categories and whether you are satisfied that you are getting the kind of margins in those areas that you should be getting or whether you feel you're on target given where the market is currently? I guess we ought to just focus really on the mining and site prep work 'cause that's the big chunk of money, but I'd also like to here what your thoughts are with respect to the piling business. Do you think that you're getting revenue per hour something over \$400 an hour? Is that -- do you think that's a fair rate for you to be shooting for or do you think that you need to be getting more in order to be properly compensated for the expertise and the -- all the overhead that you bring to every project and that helps you get it done on time and get it done well?

Rod Ruston: I've been in the resource industry for about 30 years and there's probably some of you -- I don't know you so I don't know -- but some of you that may have been monitoring the resource industry for 30 years I'm not sure. But I think everyone of you will have experienced that the resource and the construction industry goes in cycles and while we're in an up cycle at the present time, I don't think anyone would be predicting that we'll stay in an up cycle forever. Now, the basis of that piece of information is the fact that our philosophy is to get a margin that we think is fair, but at the same time maintain a good and proper relationship with our customers so that when opportunities for big margins and the very high competitive nature of the business at the present time -- sorry - - the high demand nature of the business at the present time declines, we're still the one that is called in to do the work. With that in mind, I can say that we believe we're bidding very fair margins. We're getting a fair outcome from them and -- but we're not bidding over the top with any view to getting outlandish margins even though it could potentially be done in some of the areas in this current climate.

S: And the margin you're getting in piling in this last quarter, you would regard as just being reflective of maybe a, you know, a nice pick up in business and probably not sustainable?

Rod Ruston: The demand in piling we see continuing on for quite some time to come. Certainly the construction business with the Olympics coming on in Vancouver, with the construction that's going on up in Fort McMurray, and also I've got to say with our strategy to spread wider across Canada, we believe that the -- our piling division will be busy for a long time to come yet.

S: So you're thinking that there might be -- that these margins are sustainable or there might be room for increases.

Rod Ruston: We're thinking that the margins are sustainable for some time to come.

S: Okay. Thank you very much for that colour. I appreciate it.

Operator: Thank you. Our next question comes from Hank Rauch with Liberty Mutual. Please proceed with your question.

S: Yeah. Actually, following up on that last question, the way I calculated it based on the information that's in the 6-K, the margins in the piling segment actually declined pretty significantly year over year despite the fact that the revenue per hour more than doubled. So I guess I'm a little bit confused with what's going on there.

Chris Hayman: The biggest issue within the quarter was the mix of revenue. To the extent that project cost as percentage of revenue will vary depending on whether we use drilled piles or driven piles will impact the margins between the cost of running the equipment or the cost of supplying the labour and materials. In this quarter, as mentioned, there was an awful lot of drilled piles or I should say driven pile work and also some shoring work that also is very material intensive, so as a general mix between equipment and labour and materials, there was a high proportion towards the latter, which impact our margins.

S: Okay.

Rod Ruston: We expect that to come back in the balance a bit better in the forthcoming couple of quarters.

S: Okay. So you think you'll drift back towards the 20 percent kind of pop rating margins that you had seen previously?

Chris Hayman: We do think we'll get back to a more -- a better mix of drilled than driven, which will put those margins back into line is what we've seen previously.

S: Okay. And then in the pipeline segment, the revenue per hour is down significantly. The lowest quarter that I have in my numbers, going back a couple of years, so --

Chris Hayman: Yeah. And that really just reflects an anomaly of very little activity. Spring break up occurred a lot thinner this year so our ability to get on site was a lot lower. So some of those hours really are reflective of kind of that last bit of clean up and just some -- you know, I wouldn't characterize this quarter of anything representative of pipeline on a normal basis.

S: Okay. So do you actually expect the pipeline business on a full-year basis to show improvement versus the prior year? You mentioned comments that made pipeline sound like it was going to do better as the year progresses.

Rod Ruston: It is going to do better as the year progresses, but last year was a very big year for pipeline and it probably won't get to the same level as that. But certainly improving -- it will certainly improve quarter on quarter -- consecutive quarter I should say.

Chris Hayman: Certainly the 2004 calendar year was a huge year and that had some run on into the tail end of the year so that, you know, we won't get to those \$94 million levels, but, you know, the average of pipeline revenue being about 36 million is certainly -- you know, that's been our historical average.

S: Okay. In terms of the company's ability to reduce its leverage, can you talk about your plans to do that? Not just by growing operating income, but do you actually have plans to repay indebtedness?

Chris Hayman: Well, if you look at the clauses in our -- both of our two major debts. The \$200 million US and the \$50.5 million US. Both of those have, you know, time limits as to when we can start repaying some of that debt. So certainly our first -- our first goal is to resume profitability before we look at some of those things, but we'll -- obviously need to make sure those are combined with the terms as outlined in the agreements.

Rod Ruston: I can tell you that debt reduction is a very clear part of our ongoing strategy, yes.

S: Okay. Thanks.

Operator: Thank you. Our next question comes from Tim Lindvall with AIG. Please proceed with your question.

S: My question's been answered. Thank you.

Operator: Thank you. The next question comes from Marianna Kushnir with Nomura Asset Management. Please proceed with your question.

S: Hi. I just wanted to kind of double check again just to make sure I understand. The guidance for the year you say -- you said is -- kind of remains the same. Does it mean kind of like high 300 to close to 400 million in revenue and if I say close to 65 million in EBITDA. Does that seem to make sense to you?

Chris Hayman: Well, it would probably be tough to get too specific on some of those Marianna. As we said though we think we'll be able to regain the majority of the lost revenue and lost EBITDA from the second quarter. I'm not sure that it would be safe to say that we'll regain all of that -- those amounts. So, you know, is your model pre-that number in the ballpark? I'd probably have to leave you to that -- your own assessment on that, but we don't expect that we'll get all of that Q2 loss back into income.

S: Will not?

Chris Hayman: Will not get all of it. We expect to get the majority but not all of it.

S: Okay. But in terms of EBITDA loss for the second quarter, roughly how much is it? Do you think it is?

Chris Hayman: I'm not sure if we can get that specific in our guidance either.

S: I'd just like a very wide range. I don't know.

Rod Ruston: It's a bit hard to get specific, Marianna.

S: Okay.

Rod Ruston: Chris said we won't get it all back. Part of the issue is that some of the work that we would have done in the -- in this month will push out other work and push out other work so a little bit of it rolls over into next year.

S: Yeah.

Rod Ruston: But the overall earnings of the various projects will tend to be the same. It's just what gets done this year.

S: So I guess you're saying that maybe a portion of EBITDA you'll -- you'll catch up in Q3 and Q4, but maybe not all of it. So still you're saying that your outlook for the year is still unchanged. Is it because those amounts are not that significant from your perspective or -- I mean why aren't you not then saying that, Well, outlook will be a little weaker because of this event?

Rod Ruston: We're forecasting that we'll pick up most it. We're forecasting that the -- our thoughts our that the second part of the year, with demand as it is, we'll pick up some additional work in a few places, so we don't think the effect of what we've lost in this second quarter will be high.

S: Okay. And also just to understand better --

Rod Ruston: Or this first quarter.

S: -- the June quarter typically -- I mean we typically see in this quarter slower revenue, but also margins are worse. Is it because you have to do work in more difficult conditions and is it because you take in more repairs during that time? How should we think about it?

Chris Hayman: Yeah. There is certainly an element of equipment repair costs that are going to impact that. As equipment is not being used, it's certainly an opportune time to do some repairs, so it doesn't increase the, you know -- or decrease our gross profit margins. Certainly the mix in revenue will shift somewhat, but I'm not sure if I can be more specific on those or anything else.

Bill Koehn: I mean I think you've hit most of it. We do take this opportunity to do a lot of equipment repairs after coming off the winter and mother nature is a little bit more during, you know, break up and we're exposed to it during this period.

S: All right. Thank you.

Operator: Thank you. Our next question comes from Mathew Chyra with Deutsche Bank. Please proceed with your question.

S: Hi Bill. Could you give us an example of some of the work that was changed at CNRL specifically from perhaps being this year to going further out? Was it overburden type work, was it site grading type work that was moved around?

Bill Koehn: Site grading work, Matt. Specifically, the -- you have to remember we can't finish all the earthworks till all the undergrounds in, so if there is material delays or change in designs it pushes everything to the right and then you can't do a full complete turnover of that site until you've got all the pieces, a little bit of a jigsaw puzzle to put together, and then finish it off. So it really is underground and earthworks.

S: Okay. But in terms of kind of capturing the margin on it, I mean it doesn't come out of your -- it's something like what happened at Optinexin for example where there was a very fixed time schedule and it required additional equipment and additional man hours there that were taken out of your margin. That's not the scenario here is what you're saying. That it ultimately, you catch the -- you get the margin, but you just have to move around to work.

Bill Koehn: Yes.

S: Okay. And then the second question quickly, could you -- could you confirm that -- it sounds to me that the scope of the Optimexin project has actually been increased from what the original project was when you first bid, I guess, over a year ago now. Is that correct? Is it on the mining side or is it more so on the piling side that -- if it is true that you're getting additional work, then that's where it's coming from?

Bill Cane: The scope at Opti is they have given us some additional work there to do by the hour, some drainage ditches, some additional roads, some lay own areas. So that's added to the original scope that we -- under the contract.

S: Great. Thank you.

Operator: Thank you. There's currently no additional questions in the queue.

Rod Ruston: Okay. Well, thanks very much everybody for taking the time to listen in. As we've said earlier, by Bernie, the transcript of what we've said will be on our website and -- within two days you can get a transcript of this discussion. Also, if anyone has any further questions that may have dropped by the wayside during the discussions or they might think of later, please don't hesitate to call and we'll see what we are able to respond with. We look forward to meeting you in the near future. We are planning a trip over to the east coast sometime in October to give us an opportunity to have face to face meetings. Thank you very much.

Operator: Ladies and Gentlemen, thank you for participating in the North American Energy Partners Inc. conference call. On behalf of myself and the rest of my teleconference team, thank you for choosing Telus conferencing.