

North American Energy Partners Inc.
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1400

S: Speakers

Operator: Good afternoon, ladies and gentlemen. Welcome to the North American Energy Partners Inc. conference call. I would like to introduce your chairperson, Mr. Vincent Gallant. Please go ahead.

Vince Gallant: Good afternoon, ladies and gentleman, and welcome to the North American Energy Partners Inc. conference call. My name is Vincent Gallant, I'm Vice-President, Corporate, and I would like to thank you for joining us today.

Also participating in the call from North American are Rod Ruston, our President and CEO; Chris Hayman, Vice-President, Finance; Bill Koehn, Vice-President, Operations and Chief Operating Officer; and Miles Safranovich, Vice-President of Contracts and Technical Services.

Today we will discuss our second fiscal quarter financial results, as well as our restated first quarter results, both filed with the SEC on EDGAR and summarized in our news release issued on Friday, January 13th, 2006. If you need a copy of the release you may obtain one from our website at www.nacg.ca under the news section. A transcript of this call will also be available on our website within 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 interests of our security holders in the investing community for us to make forward looking statements in our news 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 the forward looking statements.

For information related to the risks and uncertainties that could cause actual results to differ materially from the projections made in the news release or in today's conference call please refer to our periodic reports filed with the US Securities and Exchange Commission and available on EDGAR.

At this time I will turn the call over to our CEO, Rod Ruston.

Rod Ruston: Thanks, Vince. Good morning -- sorry, good afternoon, ladies and gentlemen, and it's very pleasing to be able to be talking to you again, particularly with such good results.

As you're aware from our recent news release the financial results for the second quarter showed a significant improvement over the comparable period in the previous year. The company achieved record revenue of \$124 million, and

EBITDA of just over \$21 million for the three months ended September 30th, 2005. That record revenue is not just the record for the year. That is the record since this company changed hands in 2004.

Results in all three of our divisions, mining and site preparation, piling and pipeline, are all higher for both volume of work and profitability. In particular, our core market area in the oil sands continues to be very active with many new projects out for bidding.

The key highlights for the second quarter; significant progress has been made on the CNRL site grading project, assisted by unseasonably good weather, and that's certainly helped us. We continue to be ahead of schedule on the ten year CNRL overburden contract, as well as on the construction of the maintenance workshop. Productivity at Grande Cache continues to improve as pit room is increased. We've secured all the leased equipment required to refiscal 2007, subject to some final due diligence by the lessor. The piling division is extremely busy with all their equipment at a very high level of utilization at the present time, and the pipeline segment is showing improved results for the quarter, in part due to pipeline now doing industrial work in the oil sands region.

While we are very frustrated, as you can imagine, and I'm sure all of you are the same with us having to restate our financial results for the first quarter, I wish to reiterate and I have said it before that the specific issues were very technical in nature and hopefully will never occur again. As we stated in our news release none of the restatement adjustments affected our cash flow, EBITDA, or had any affect on our covenants. We've recently added some resources to ensure that technical accounting issues that are -- sorry, technical accounting issues are thoroughly addressed in a timely manner, in particular, where that is a US GAAP specialist and further accounting capability to the already good financial and accounting team that was here.

Ladies and gentlemen, I'll now turn over to our Vice-President of Finance, Chris Hayman. He'll elaborate on the financial result, and then following that you'll hear from Bill Koehn who will elaborate further on the operational results. Thank you. Chris?

Chris Hayman: Thanks, Rod. Good afternoon everyone. Before talking about our second quarter operating results I will begin my remarks with a discussion of the two main items impacting the Q1 restated results. As Rod mentioned previously the company encountered certain technical difficulties in regards to the hedge used to manage the 8.75 percent senior note. Specifically, documentation put in place at the inception of the hedge did not meet the accounting criteria as recently clarified by the SEC. While this did not change the economic effectiveness of the hedge in any way the company had to restate its financial results from the inception of the hedge. Since its inception through to Q1 of this year this has adversely impacted net income by \$34.4 million. Again, this has no impact on the economics of the underlying transaction but does provide greater transparency on the mark to market value of the hedge at any point in time.

The other major item of this restatement is the treatment of the Series B redeemable preferred shares, which for most purposes, including the credit agreement, are treated as equity. However, because the redemption of these shares is mandatory at a future date after the term of the 8.75 percent note, they are treated as debt for accounting purposes. These shares were issued in May as part of our financial restructuring that took place at that time and were issued for cash consideration of \$7.5 million, and in June were valued at that same amount. The shares are redeemable in priority behind all of the debt of the company and are redeemable for the greater of two times the initial price, a return that provides the holder with a 40 percent compounded internal rate of return, or 25 percent of the distributable equity value of the company.

The company has now determined that these shares should be valued at the maximum amount that would be paid if the redemption of these shares occurred at the reporting date. As a result, interest expense of \$41.4 million was taken on these preferred shares. However, due to their equity treatment the charge to interest expense does not include in any covenant ratios. Again, it's treated for equity only for the credit agreement, but is treated as debt for the purposes of our financial statements. Again, none of these changes or the other minor restatement items impacted cash flow, EBITDA, or any covenants under the company's revolving credit facility.

As Rod stated previously, we have strengthened our accounting team and are fully prepared report in a timely manner. I will now turn my discussions to the second quarter financial highlights. Our second quarter results are very positive, showing significant improvements from the previous corresponding quarter. As Rod mentioned earlier, revenue from the period increased by 46 percent to \$124 million, and EBITDA, as defined in the press release, increased to \$21.2 million. The increase in revenue is mainly attributed to increased site grading work and the ongoing overburden removal contract. Both of these are at CNRL. Grande Cache Coal also had a positive impact. Further, the exciting piling and pipeline market contributed the increased revenue. CNRL accounted for 37 percent of the total consolidated revenue for the quarter, with Syncrude comprising 14 percent and Grand Cache seven. I should also state that no further claim revenue is recorded in Q2. Miles Safranovich will talk about the status of these claims in more detail later on.

Overall, EBITDA margins improved to 17 percent for the quarter and 14 percent year-to-date, up from 12 percent in last year's similar periods. This is primarily due to a greater mix of higher margin pilings and pipeline work and lower equipment expenses including these costs, which as a percentage of revenue were 13.4 percent versus 15.6 percent in the comparable prior years. This is due to a higher mix of new equipment, which typically requires less maintenance.

General and administrative expenses increased to \$6.4 million, as compared to five million for the same period in the previous year. These increases are mainly due to higher wage costs, consulting costs, as well as greater accounting and audit fees related to the restatement of prior fiscal years. As a percentage of revenue G & A is down from 6 percent to 5.2 percent. Capital

expenditures for the period totaled \$7.5 million due primarily to the construction of -- on the CNRL maintenance shop, which was 37 percent complete at the end of September. To date, the project is on budget and completion is expected by the end of the fiscal year.

Our cash balance at the end of the second quarter was \$17.9 million, unchanged from our year-end balance. For the quarter that just ended on December 31, 2005 our cash balance was just over \$31 million. To put this in perspective, our cash balance has grown by \$13 million, even with \$15 million of interest payments in the quarter and continued funding for capital projects. This is due to a combination of an excellent work program and improved collection systems. The availability and our revolving credit facility continues to be limited by the value of the aforementioned cross-currency swap agreement, which has increased due to the strengthening of the Canadian dollar relative to the US dollar. At September 30, 2005 our borrowing availability was effectively nil. The effects of the December interest payment for the swap evaluation coupled with a modest decrease in the value of our dollar increased our borrowing availability to \$5 million at December 31, 2005. The company is working to further improve this through structural changes to the facility that would allow for the inclusion of accounts receivable and the CNRL shop upon completion in the borrowing base.

Finally, with respect to guidance for the balance of the year, last year's third fiscal quarter includes the loss on the Opti/Nexen project while last year's fourth fiscal quarter was a very strong quarter and our record of EBITDA. The company expects to see continued, strong year over year results in Q3, but does expect the year over year rate of growth to become more moderate in Q4 when the CNRL site grading work winds down and is replaced by increased activity on the CNRL overburden job, the new De Beers site grading work and the new Syncrude reclamation work. We should caution our listeners that our winter revenue is dependent upon cold weather to freeze the ground conditions. So far this winter weather has been warmer than normal and could impact our fourth quarter results.

I will now pass the call to Bill Koehn to provide an overview of our operating segments.

Bill Koehn: Thank you, Chris. Good afternoon everyone. All three of our divisions, mining and site preparation, piling and pipeline, reported increases in revenue and profits this quarter compared to the second quarter last year. In our mining and site preparation division revenue was \$93.5 million, a 50 percent increase for the same period in the previous year. As Chris mentioned previously, this is primarily due to increased work at CNRL.

The ten year overburden removal contract at CNRL continues to be ahead of schedule, with approximately 44.5 percent of the 2006 work completed at September 30, 2005. Construction of the shop facility is currently underway and is 37 percent complete and progressing well. We're on budget and expect to be completed by the end of March. Financing for equipment for the project has been all but secured and we are closely monitoring the availability of tires.

Significant progress was made on the site grading project of CNRL. The contract was completed at December 31, 2005 to CNRL's satisfaction. Demobilization of equipment to the other projects is in progress. Increased production was achieved at Grande Cache Coal Corporation. Now that the pit is starting to open up we're working closely with Grande Cache Coal to optimize all aspects of this project, and the year-to-date waste removal costs are on budget.

Our piling division saw an increase in revenue of 27 percent to \$22.1 million from the previous corresponding period. Work contract volume and favorable weather were factors in achieving this result. The division continues to have a healthy backlog of work. Activity in the pipeline division resulted in revenue of \$8.4 million, up significantly from the same period last year. The majority of the increase may be attributed to a greater level of industrial work, in addition to higher levels of work throughout the summer months.

The contract for De Beers has been finalized and equipment has been mobilized for the last staging area. Due to the unseasonably warm weather construction of the winter road required for our equipment to access the site has been delayed. The equipment that was left onsite over the summer months has commenced work. Also, Syncrude has awarded us a five year reclamation contract. Work on this project commenced in early January.

This pretty much summarizes the highlights of our various operating segments. I will now turn it over to Miles to discuss operating control issues.

Miles Safranovich: Thanks, Bill. Good afternoon. In terms of claims we have submitted our final claim to Opti on the site grading and underground project that we completed last year at the Long Lake site. We're presently in discussions with Opti and hope to have the claim resolved prior to our year-end. In terms of CNRL changes, the preparation and negotiation of the change order request continues at CNRL. We're working closely with CNRL and positive discussions are ongoing to resolve disputed issues and change order processes.

Focusing on tendering right now, we are currently involved in tendering and budget pricing for a variety of projects for fiscal '07 and beyond. We've been retained by many of the major engineering houses and oil sands producers to provide constructability, budget and project schedule development and analysis assistance for a number of upcoming projects. We see this as a recognition of our expertise in our chosen fields and confidence the industry places in our ability to be a competitive performer. We are in various states of estimate development across all division for projects for CNRL, Syncrude, Suncor, PetroCanada, Shell, De Beers, Imperial Oil, Enbridge and Trans Canada Pipeline, amongst others.

The introduction of a contracts department and contract processes and procedures that substantially improved the mitigation of risk at tender time through the negotiation process to project award. We've implemented pre-job meetings involving teams from project management, estimate development, contracts, procurement, safety and finance, and these are improving our mobilization processes, enhancing hand over from estimate to project team and are shortening learning curves on new projects.

Focusing on procurement, the first phase of the procurement project launch earlier this year is complete. Roll out and training for all divisions and departments has occurred. All of our systems are being implemented in compliance with SOX requirements. Now, many of you have heard on our fall road show to New York and Boston our plans to implement a business improvement initiative.

I am pleased to announce that Project Cobra, which is an acronym for Changing Organizational Behaviors, Results and Attitudes, has been launched. This is a 12 month program using North American personnel alongside an outside consulting group to provide sustainable operational and organizational improvements through the implementation of system and process improvements, performance management techniques, enhanced communication and improved organizational effectiveness.

I will now turn the call back to Rod for his closing comments.

Rod Ruston: Thank you very much. And thank you ladies and gentlemen. As you can see, we've had a very strong quarter. North American strives to maintain excellence and with continued diligence, we will excel in our industry. I'm very optimistic that these promising results will be an ongoing trend into the future. The space that we're working in, the general economic climate and certainly the changes that we're making in North American all over will make sure that that happens.

At this time I'd like to extend my thanks to everyone who's taken the time to listen to the call today, and I'll turn the call over to the facilitator to open the floor for any questions that you may have. Thank you.

Operator: Ladies and gentlemen, to join the question queue please press the number zero-one. If you wish to withdraw your question press the pound key. If you have any questions please press zero-one now.

Our first question comes is from Maryanna Kushnir. Go ahead.

S: Hi. A few questions for you. Could you please give us a breakout of revenue by projects, specifically CNRL site grading, CNRL overburden, then Grande Cache, Syncrude maintenance and Syncrude as SWQR. Kind of a few highlights.

Rod Ruston: Sorry, Maryanna, we were going to meet and I hate to tell you before we've met, but no, that's bit too much of a breakout and we really think that's confidential information.

S: Okay. Next thing, regarding -- could you comment on -- when I look at your segment reporting, and I understand how you allocate repair costs to corporate at a constant rate, but could you at least try to explain how margins in mining and site preparation decreased to 13 percent EBITDA margins, while piling and pipeline seemed to have enjoying, you know, very strong margins, and then we seen this gain in the corporate. Could you elaborate on this, and should we be reading anything into this?

Rod Ruston: I'll get that. Yeah, Chris will answer that for you.

Chris Hayman: Yeah, certainly from a corporate segment we traditionally try and have that as a break even center. With increased activities there is a potential that would generate some profit, particularly if our repair costs are lower as anticipated.

With respect to the margins in piling and pipeline, those traditionally are higher margin and utilize less equipment to fulfill the work, therefore you wouldn't see differences there. Mining and site preparation isn't much going to be -- probably as much attributable to mix. Some of the work that we were doing tended to be maybe less margin than some of our other work as it relates to site grading and overburden, which due to its repetitive nature overburden is going to be lower margin than some of our shorter term nature work. I don't know if I would read a lot into the equipment division process, you might say the corporate process, at this point though.

S: But I thought -- I was under impression that the CNRL contract in general should boost margins in mining and site prep as you using more large equipment.

Chris Hayman: Well, we will be using large equipment. It is obvious -- I've mentioned leased equipment, and -- yeah.

Rod Ruston: You've got to take it that the period you're looking at is taking into account the start up of the CNRL overburden project, and when you're in the start up phase your productivity levels aren't anywhere near where your expected normal operational productivity levels get. What you'll see over time is that as we bring more equipment on the site and as we get onto very sequential mining you'll see the margins both increase a small amount, but also become very steady.

S: Okay. And regarding CNRL work, site grading for the next quarters that you're going to report, December and March, would that be coming down and overburden ramp up, and therefore the levels would stay relatively steady to September quarter levels, or how should we be thinking of it?

Rod Ruston: Yeah, certainly the site grading will slow down over the period, and in fact, concludes around about the end of December. And at the same time the overburden is ramping up. It doesn't necessarily completely balance out, but the removal of one is completely replaced by the other.

S: All right. And regarding job cost, which they actually were somewhat high or sequentially percentage of revenue while equipment costs came down quite a bit as percentage of revenue. How should we be looking --

how should we be thinking of these two numbers going forward, and was this quarter extraordinary in terms of that there were so few repairs?

Chris Hayman: Certainly, this was a low quarter for equipment expenses. As mentioned, there was a fair amount of new equipment. So that -- it is somewhat -- I would try to build into your model for the long term sustainability portion of it. Within any quarter and within any project obviously, and we're not trying to get too grand into project by project for the reasons we mentioned, but certainly as you look at any project there's going to be a greater or lesser mix of equipment, particularly in the mining and site preparation. Your piling and pipeline should be more traditional mixes of equipment usage. Last point, certainly traditionally for the organization is while the equipment is working, other than for emergency type repairs, the equipment for the more planned maintenance will get done once the project is complete, and with much of our equipment being heavily utilized, you know, that did produce lower equipment expenses as well.

S: Okay. And just a last question on the borrowing base. If the hedge liability was 69 then borrowing base was \$3 million higher than that. Correct? Is that --

Chris Hayman: Sorry, Maryanna. Can you repeat that question?

S: Borrowing base -- what was the borrowing base at the end of September?

Chris Hayman: The borrowing base is first determined by the value of the equipment and then what we do is we take out the value of our hedge, which was \$69 million at the end of September, and has moved down approximately five million as mentioned in our -- as of the end of December. So at the end of the day we had borrowing availability of nil at the end of September, and \$5 million at the end of December. At the end of December we had \$23 million of LC's drawn against our credit facility, which is why we had \$5 million. So if you take the \$5 million, add the \$23 million of LCs' and add the \$65 million of the swaps that would give you our borrowing base before those deductions. So it's approximately --

S: Say it again.

Chris Hayman: Sorry.

S: Sixty-five.

Chris Hayman: If you take the \$5 million at the end of December, the \$65 million of the value of the swap, the \$23 million of LC's, you should get to approximately \$92 million of borrowing base to start. Now, as mentioned we are

working on the receivables to get those included in the borrowing base. I'm working with our facility lenders, and we expect that at the completion of the CNRL shop that that would be included in the borrowing base as well.

S: Okay.

Chris Hayman: And the total facility is 40. So if we had full -- the swap wasn't impacting that borrowing availability we would have \$17 million of availability under the -- given the size of the facility and the amount of the LC's currently drawn.

S: Okay. And so there are no LC's that are cash collateralized. The facility was sufficient.

Rod Ruston: No, they aren't.

Chris Hayman: No, that's -- none whatsoever. Nor have there been, and further, we haven't at any point in time since this facility was drawn had to borrow against the facility. It's strictly been for LC's.

S: Okay. Thank you.

Operator: Our next question is Lou Anardi with BMO Harris Nesbitt. Go ahead please.

S: Good afternoon. I just wanted to follow up on the equipment question again. You've had a tremendous increase in the use of equipment yet lower costs, and I assume that has all to do with maintenance, but I'm still not sure how that adds \$6 million or so to the corporate side of things, and how that might normally be distributed among the segments.

Chris Hayman: Part of it is internal transfer pricing, to the extent that we try and charge our equipment to effectively break even, but if we have higher utilization then we anticipate, then that segment will end up having more profits as that internal transfer price occurs. Again, that profit is meant to be a break even, but it doesn't assume certain utilization hours, and as you've noted, our equipment utilization was quite strong in the quarter.

S: Okay. I got you now. So it's just an internal thing. And then just two bookkeeping items. One, any guesses on when the December earnings will be available?

Chris Hayman: We -- as mentioned, our expectation -- there's no reason we don't think we'll meet our deadlines, which are March 1st. We certainly don't have any anticipated technical issues that we -- you know, we went through and as it relates to the restatements. We've worked with KPMG, who are our

auditors, and very closely to make sure we resolve those items. Where there is -
- we do an annual test of goodwill, which this quarter we'll be doing our goodwill
impairment test, but again we don't foresee at this point in time any reason we
won't be reporting by March 1st.

S: And lastly, just to double check, did you say cash at
December 31 was \$31 million?

Chris Hayman: That's correct.

S: Thank you very much.

Operator: Matthew Chyra with Deutsche Bank. Please go ahead.

S: Hi guys, how are you?

Rod Ruston: Good, thank you. Yourself?

S: I have a couple questions for you today. Rod, could you
elaborate if any -- on the visibility into the industrial level pipe work? Is that
something that you guys are going to target going forward? Is that a -- obviously
looking at the numbers it's a high margin -- or higher margin type work than some
of the EnCana work that you were doing in the past. Is that something that's
going to continue into this quarter and going forward?

Rod Ruston: Basically, we're going to take any opportunities we can
within the areas of our expertise in pipeline. Certainly, getting into the industrial
arena pipe work, working alongside our site grading people was a valuable
exercise for us. We're also branching out to endeavor to obtain additional
customers and not just focus all our business on EnCana. Whether we'll get
deeply into the industrial pipe work above ground, that's something that we
haven't strongly considered.

S: Okay. And then Chris, question for you. I think you
indicated in your comments that both the third fiscal quarter and fourth fiscal
quarter should be higher than the year ago numbers. Obviously, it's not very
hard to do for the third quarter. Is that incorporate -- does your guidance
incorporate the -- kind of the warmer weather and the delays at De Beers?

Rod Ruston: There's some positive developments -- I'll respond to that.
There's some positives and negatives in the warmer weather, and yes, there
have been some delays in De Beers, but it's also enabled us to get some other
work done elsewhere. We're hopeful that it'll balance out. As you said, being
better on the third quarter is easy, but what Chris said is that the rate of quarter
over quarter improvement will decline as we go into the fourth quarter. So in
other words, for the last three quarters I think I've announced that in the market

that first quarter was about 26 percent better, and then a couple of 50 percents better quarter over quarter, and the fourth quarter will be much more lineball.

S: Okay. Great.

Rod Ruston: I guess I used the word lineball I used there. I'm becoming Canadianized.

Chris Hayman: Yeah. I thought it was a corporate term.

S: Great. And then the last thing, I guess. Just a macro question. Are you seeing any inroads from your competitors? Is Washington Group or Ledcor, the two that you mentioned in the past, are they any bit of a larger presence than they have in the last couple quarters?

Rod Ruston: Not particularly. They're getting on with their work. We're getting on with our work. In a lot of areas the competition is in different locations. Like Ledcor does different things to what we do. Washington Group, in particular, has a lot of areas in their business that we just don't even have a division of. So no, we're not getting any big impact from the likes of those sort of organizations.

S: Great. And --

Rod Ruston: There's a lot of work out there is really probably what the -- the summary to that is there's a lot of work out there.

S: Great. And then the -- if I can sneak one more in? Is there any penalties, you know, is there any timelines on the De Beers winter road or any of that work? I mean are you guys getting -- is that coming out of your margin, or has that already been built into that margin?

Rod Ruston: The project is a negotiated project with De Beers. Everything can -- if we get a freeze over in the next two weeks to three weeks or a month we can still probably achieve most of the things we're supposed to achieve. In the meantime we're keeping in close contact with De Beers, working very closely with them to make sure that no one is severely adversely affected by this weather, as much as possible.

S: Great. Thanks very much guys.

Chris Hayman: Thanks.

Operator: Mark Brostowski with Regiment. Please go ahead.

S: Yeah, hi. First question, just a quick -- the lease expensive for the quarter was how much?

Chris Hayman: Its expense for the quarter was just over \$3 million.

S: Okay. And then how do you see that kind of progressing over the course of the next couple of quarters?

Chris Hayman: That will continue to increase as we acquire equipment for the CNRL overburden contract.

S: Right.

Chris Hayman: So we should see a reasonable increase in that line for that reason.

S: Okay. And then your -- what was your LCs last -- last quarter was what? It seemed like it's gone up a little bit.

Chris Hayman: It was 22 in September and 20 -- we -- as mentioned just on the call, over 23 at the end of December.

S: Okay. And then what do you -- and then as far as going forward, is that kind of where you expect it to be, or is there -- there's going to be some, you know, with the --

Chris Hayman: We expect that to -- it'll go up in certain cases and it'll go down in others. There's certain LCs that we expect to mature. There's potentially others that could come up as new work is secured.

S: Okay. And then last question is for -- I'm just trying to get a better feel for, you know, the weather. Kind of -- I mean the impact you're kind of seeing right now is it -- I mean is it kind of minor or you know, where does that stand and kind of where do we need to get to kind of get back to normal I guess.

Bill Koehn: Well, as Rod had mentioned, on some sides of the -- on the line it's positive because other operations can take place that normally wouldn't occur this time of year, or we see less down time associated with it. Where it impacts us is where you're attempting to freeze down material that you can't travel on because of the amount of moisture in it --

S: Right.

Bill Koehn: -- the strength of the materials. So we're, you know, we're doing everything possible. It means you need to put more effort in when it is cold to develop frost, and developing frost, you know, there's various ways of spraying

water down when it's cold to develop the amount of ice and that required to travel on it, to running equipment on it, to dragging tires. So where we see it we need to work harder at it, and you know, in the worst case scenario is some areas just don't freeze over. That would be the extreme on the other side.

S: Okay.

Chris Hayman: And if I could control the weather we'd be laughing.

S: Right. And then with regards to the -- I think you said CNRL was 37 percent of revenues for the quarter. Is that -- I mean without expanding kind of your equipment base, is that pretty much -- are they going forward or are they going to be that big a part of your business, or how do we look at that?

Rod Ruston: No. The CNRL -- the work on the site grading will dissipate and go away, and that equipment will be relocated somewhere else and it probably won't be necessarily on the CNRL site, although we do expect to get some additional work there in general work as time -- as the construction goes on.

S: Okay.

Rod Ruston: With the overburden site, of course, we will continue to increase our equipment, and that will continue to have a bigger impact on our business as time goes by getting up into the over \$100 million revenue type of market as we get up to full operation capability.

Bill Koehn: Yeah. Most of that equipment that was on that work has been moved onto other projects that we have secured. Just to add in on your comment on the weather, it's only minor impacts for the work that we have going in Fort McMurray.

Chris Hayman: One issue on our customer revenue distribution, as Miles mentioned, they're -- you know, we are working with a lot -- a broader diverse customer base. So as a percentage any one customer we expect over time that we'll decrease as we increase our customer base too.

S: Okay. Great. Thanks for your time.

Operator: As a reminder, if there's any further questions please press zero-one. Kathryn Tsibulski with Jefferies & Company. Go ahead.

S: Hi. Thank you. I just wanted to confirm that I'd understood an earlier comment correctly. You mentioned that EBITDA was expected to continue increasing, but not at as great a rate quarter over quarter as we'd seen in the second quarter this fiscal year?

Chris Hayman: Yeah, for both revenue and EBITDA, well particularly EBITDA given as we talked about what last year was like, revenue we anticipate, which is a better measure for building your models in Q3, we anticipate significant quarter over quarter growth, but we do see that quarter over quarter growth in revenue and therefore in EBITDA and Q4, which is a more normalized quarter last year for us to be modest increases.

S: Okay. And going forward beyond the third quarter and the fourth quarter of this year, do you see kind of any visibility in earnings that -- is your sort of EBITDA run rate going to remain in the same neighborhood of around 20 million on up, or are you unable to tell at this point?

Rod Ruston: Given the environment that we're working in, the economy of Canada in general, in particular, focused on the economy of Western Canada and even then, more particularly again into the oil sands area, everything is looking very positive. There's a lot of work being -- and requests for proposals coming out, and those requests cover every part of our business from pipeline through piling, mining and site prep, and so on -- industrial. So we see generally looking forward a very positive environment.

S: Okay. Great. Thank you.

Operator: Mark Brostowski, please go ahead.

S: Yeah. Sorry, one follow up. With regards to the -- I know you're working on your availability on your bank facility. Does the -- is the restriction right now -- I mean obviously it's with your current -- I guess bank revolver, but -- you know, and I know you're looking to expand that or the availability under that, or the advance rates or whatever, but would you be allowed to do that under the second lien or the senior notes? Are there any covenants that would restrict you from doing that, or is just a matter of working with the banks to get them to kind of change kind of the advance rates or whatever?

Chris Hayman: Yeah, our primary focus is to change the advance rates, not to increase the size of the facility.

S: Right.

Chris Hayman: There is some capacity to increase the size of the facility under the indentures for the 8.75 and the 9 percent notes, but primarily is to get the borrowing availability back up to the size of the facility rather than being limited by the swap.

S: Okay. Great. Thanks.

Operator: Matthew Chyra, please go ahead.

S: Guys, one follow up. This might be a little bit premature, but how often are you guys talking to the rating agencies, and have you talked to them recently after reporting these numbers?

Rod Ruston: We haven't specifically talked to them. After reporting these numbers we talked to them about a month before Christmas, particularly what we wanted to do was get some runs on the board of reporting on time and getting a couple quarters under the belt before we talked to them too much more. But we will keep them -- we are keeping them very informed on where we're going, what our way forward is, what our expectations are, etcetera.

S: Have they indicated any matrix that you have to obtain either on a leverage fund or so forth, or a liquidity front to consider in an upgrade?

Rod Ruston: No. No, they haven't. Just in very general terms they indicated they understood where we were and were quite pleased with the way things are looking, and that's about it.

S: Great. Thanks, Rod.

Operator: Maryanna Kushnir, please go ahead.

S: One follow up regarding the preferred shares, Series B. I understand is that those shares accrue dividend, but I wanted to clarify can you pay that dividend in cash currently? Does the indenture allow you to do that?

Chris Hayman: The indenture would not allow us to make any material dividend repayments with our current financial structure.

S: It would or would not?

Chris Hayman: It would not.

S: Okay. Thanks.

Operator: At this time there are no further questions in the queue.

Vince Gallant: Okay. Well, thank you for joining us on our conference call today. A copy of the transcript of today's call will be posted on our website in the next few days. If you have any further questions, call me, Vince Gallant, at the number shown at the bottom of our news release or shown on the news page of our website at www.nacg.ca. Thank you very much.

Rod Ruston: Thank you everybody.

Operator: Thank you. This concludes the conference call.