North American Energy Partners Inc.
Form 6-K
October 31, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16

under the Securities Exchange Act of 1934

For the month of October 2012

Commission File Number 001-33161

NORTH AMERICAN ENERGY PARTNERS INC.

2 53016 Hwy 60

Acheson, Alberta T7X 5A7

(780) 960-7171

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ¨ Form 40-F x

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ¨

Table of Contents

Documents Included as Part of this Report

1. Interim consolidated financial statements of North American Energy Partners Inc. for the three and six months ended September 30, 2012.
2. Management s Discussion and Analysis for the three and six months ended September 30, 2012.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NORTH AMERICAN ENERGY PARTNERS INC.

By:	/s/ David Blackley
Name:	David Blackley
Title:	Chief Financial Officer

Date: October 31, 2012

Table of Contents

NORTH AMERICAN ENERGY PARTNERS INC.

Interim Consolidated Financial Statements

For the three and six months ended September 30, 2012

(Expressed in thousands of Canadian Dollars)

(Unaudited)

Table of Contents

Interim Consolidated Balance Sheets

(Expressed in thousands of Canadian Dollars)

(Unaudited)

	September 30, 2012	March 31, 2012
Assets		
Current assets		
Cash and cash equivalents	$3,825	$1,400
Accounts receivable (net of allowance for doubtful accounts of $185, March 31, 2012 $210)	143,437	214,129
Unbilled revenue (note 4)	90,398	86,859
Inventories	13,381	11,855
Prepaid expenses and deposits	6,822	6,315
Investment in and advances to unconsolidated joint venture		1,574
Deferred tax assets	2,978	2,991
	260,841	**325,123**
Other assets	18,575	21,743
Property, plant and equipment (net of accumulated depreciation of $207,925, March 31, 2012 $213,497)	339,693	312,775
Goodwill	32,901	32,901
Deferred tax assets	56,365	57,451
Total assets	**$708,375**	**$749,993**
Liabilities and shareholders equity		
Current liabilities		
Accounts payable	$116,041	$171,130
Accrued liabilities	25,502	36,795
Billings in excess of costs incurred and estimated earnings on uncompleted contracts	9,323	7,514
Current portion of long term debt (note 5(a))	41,012	14,402
Current portion of derivative financial instruments (note 8(a))	3,346	3,220
Deferred tax liabilities	19,018	21,512
	214,242	**254,573**
Long term debt (note 5(a))	303,187	300,066
Derivative financial instruments (note 8(a))	3,882	5,926
Other long term obligations	4,700	8,860
Deferred tax liabilities	54,742	52,788
	580,753	**622,213**
Shareholders equity		
Common shares (authorized unlimited number of voting common shares; issued and outstanding September 30, 2012 36,251,006 (March 31, 2012 36,251,006)) (note 6)	304,908	304,908
Additional paid-in capital	10,001	8,711
Deficit	(187,236)	(185,820)
Accumulated other comprehensive loss	(51)	(19)
	127,622	**127,780**
Total liabilities and shareholders equity	**$708,375**	**$749,993**
Contingencies (note 12)		

See accompanying notes to interim consolidated financial statements.

Table of Contents

NOA

Interim Consolidated Statements of Operations and Comprehensive Income (Loss)

(Expressed in thousands of Canadian Dollars, except per share amounts)

(Unaudited)

	Three months ended September 30,		Six months ended September 30,	
	2012	2011	2012	2011
Revenue	**$204,191**	**$245,386**	**$440,113**	**$439,409**
Project costs	118,888	144,060	251,828	238,869
Equipment costs	39,455	46,886	103,543	109,500
Equipment operating lease expense	11,232	13,035	21,972	33,428
Depreciation	8,702	8,024	18,668	17,620
Gross profit	**25,914**	**33,381**	**44,102**	**39,992**
General and administrative expenses	10,580	14,001	28,298	24,602
Loss on disposal of property plant and equipment	592	30	367	428
Loss (gain) on disposal of assets held for sale	8	(496)	(70)	(496)
Amortization of intangible assets	1,481	1,411	2,625	3,289
Equity in loss (earnings) of unconsolidated joint venture		152	(596)	(445)
Operating income before the undernoted	**13,253**	**18,283**	**13,478**	**12,614**
Interest expense, net (note 7)	8,221	7,548	15,967	14,925
Foreign exchange loss (gain)	8	21	116	(64)
Unrealized (gain) loss on derivative financial instruments (note 8(b))	(1,896)	1,769	(1,918)	1,432
Income (loss) before income taxes	**6,920**	**8,945**	**(687)**	**(3,679)**
Income tax expense (benefit) (note 9(c)):				
Current	(342)	(1,879)	170	(1,644)
Deferred	3,552	4,205	559	360
Net income (loss)	**3,710**	**6,619**	**(1,416)**	**(2,395)**
Other comprehensive (loss) income				
Unrealized foreign currency translation (loss) gain	(68)	107	(32)	96
Comprehensive income (loss)	**3,642**	**6,726**	**(1,448)**	**(2,299)**
Per share information				
Net income (loss) - basic (note 6)	$0.10	$0.18	$(0.04)	$(0.07)
Net income (loss) - diluted (note 6)	$0.10	$0.18	$(0.04)	$(0.07)

See accompanying notes to interim consolidated financial statements.

Table of Contents

Interim Consolidated Statements of Changes in Shareholders Equity

(Expressed in thousands of Canadian Dollars)

(Unaudited)

	Common shares	Additional paid-in capital	Deficit	Accumulated other comprehensive loss	Total
Balance at March 31, 2011	**$304,854**	**$7,007**	**$(164,536)**	**$(59)**	**$147,266**
Net loss			(2,395)		(2,395)
Unrealized foreign currency translation gain				96	96
Share option plan		694			694
Reclassified to restricted share unit liability		(121)			(121)
Stock award plan		172			172
Exercised stock options	42	(14)			28
Repurchase of shares to settle stock award plan		(350)	(90)		(440)
Senior executive stock option plan		428			428
Balance at September 30, 2011	**$304,896**	**$7,816**	**$(167,021)**	**$37**	**$145,728**
Balance at March 31, 2012	**$304,908**	**$8,711**	**$(185,820)**	**$(19)**	**$127,780**
Net loss			(1,416)		(1,416)
Unrealized foreign currency translation gain				(32)	(32)
Share option plan		583			583
Stock award plan		14			14
Repurchase of shares to settle stock award plan		(148)			(148)
Senior executive stock option plan		841			841
Balance as at September 30, 2012	**$304,908**	**$10,001**	**$(187,236)**	**$(51)**	**$127,622**

See accompanying notes to interim consolidated financial statements.

Table of Contents

NOA

Interim Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian Dollars)

(Unaudited)

	Three months ended September 30,		Six months ended September 30,	
	2012	2011	2012	2011
Cash provided by (used in):				
Operating activities:				
Net income (loss) for the period	$3,710	$6,619	$(1,416)	$(2,395)
Items not affecting cash:				
Depreciation	8,702	8,024	18,668	17,620
Equity in loss (earnings) of unconsolidated joint venture		152	(596)	(445)
Amortization of intangible assets	1,481	1,411	2,625	3,289
Amortization of deferred lease inducements	(28)	(27)	(55)	(54)
Amortization of deferred financing costs (note 7)	407	379	808	812
Loss on disposal of property plant and equipment	592	30	367	428
Loss (gain) on disposal of assets held for sale	8	(496)	(70)	(496)
Unrealized (gain) loss on derivative financial instruments (note 8(b))	(1,896)	1,769	(1,918)	1,432
Stock-based compensation expense (note 11(a))	993	(121)	(116)	(3,206)
Cash settlement of restricted share unit plan (note 11(d))			(1,631)	(318)
Settlement of stock award plan (note 11(f))			(148)	(440)
Accretion of asset retirement obligation	11	9	21	19
Deferred income tax expense	3,552	4,205	559	360
Net changes in non-cash working capital (note 9(b))	10,124	(47,903)	3,565	(40,575)
	27,656	**(25,949)**	**20,663**	**(23,969)**
Investing activities:				
Purchase of property, plant and equipment	(12,970)	(12,857)	(19,756)	(14,595)
Additions to intangible assets	(1,226)	(781)	(1,924)	(1,583)
Proceeds on wind up of unconsolidated joint venture			2,170	
Proceeds on disposal of property, plant and equipment	2,099	46	7,111	78
Proceeds on disposal of assets held for sale	1,504	550	1,660	550
	(10,593)	**(13,042)**	**(10,739)**	**(15,550)**
Financing activities:				
Repayment of credit facilities	(91,200)	(28,418)	(194,021)	(56,495)
Increase in credit facilities	80,000	68,000	190,000	98,000
Financing costs	(439)		(439)	(60)
Proceeds from stock options exercised (note 11(b))				28
Repayment of capital lease obligations	(1,622)	(1,108)	(3,007)	(2,224)
	13,261	**38,474**	**7,467**	**39,249**
Increase (decrease) in cash and cash equivalents	**3,802**	**(517)**	**2,457**	**(270)**
Effect of exchange rate on changes in cash and cash equivalents	(68)	107	(32)	96
Cash and cash equivalents, beginning of period	91	958	1,400	722
Cash and cash equivalents, end of period	**$3,825**	**$548**	**$3,825**	**$548**
Supplemental cash flow information (note 9(a))				

See accompanying notes to interim consolidated financial statements.

Table of Contents

Notes to Interim Consolidated Financial Statements

For the three and six months ended September 30, 2012

(Expressed in thousands of Canadian Dollars, except per share amounts or unless otherwise specified)

1) Nature of operations

The Company undertakes several types of projects including mining and environmental services, heavy construction, industrial and commercial site development and pipeline and piling installations. The Company also designs and manufactures screw piles, provides tank maintenance services to the petro-chemical industry across Canada and the United States and sells pipeline anchoring systems globally.

2) Basis of presentation

These unaudited interim consolidated financial statements are prepared in accordance with US GAAP for interim financial statements and do not include all of the disclosures normally contained in the Company s annual consolidated financial statements and as such these interim consolidated financial statements should be read in conjunction with the most recent annual financial statements. Material inter-company transactions and balances are eliminated upon consolidation.

3) Recent accounting pronouncements

a) Accounting pronouncements recently adopted

There have been no recently adopted accounting pronouncements during the three and six months ended September 30, 2012, as compared to the recently adopted accounting pronouncements described in the Company s Annual Report on Form 40-F, that are of significance, or of potential significance to the Company.

b) Issued accounting pronouncements not yet adopted

i) Intangibles - Goodwill and Other

In July 2012, the FASB issued ASU 2012-02, Intangibles Goodwill and Other: Testing Indefinite-Lived Intangible Assets for Impairment . ASU 2012-02 provides companies with the option to assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If the Company concludes that it is more likely than not that the asset is impaired, it is required to determine the fair value of the intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying value in accordance with current accounting standards. If the Company concludes otherwise, no further quantitative assessment is required. ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, although early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company s consolidated financial statements.

4) Unbilled revenue

As of September 30, 2012, an amount of $17,308 (March 31, 2012 $18,302) is recognized within unbilled revenue relating to a single long-term customer contract, whereby the normal operating cycle for this project is greater than one year. As described in note 2(b) of the annual consolidated financial statements of the Company for the year ended March 31, 2012, the estimated balances within unbilled revenue are subject to uncertainty concerning ultimate realization.

5) Long term debt

a) Long term debt amounts are as follows:

Current:

	September 30, 2012	March 31, 2012
Credit facilities (note 5(b))	$29,418	$10,000
Capital lease obligations	11,594	4,402
	$41,012	$14,402

Long term:

	September 30, 2012	March 31, 2012
Credit facilities (note 5(b))	$45,328	$68,767
Capital lease obligations	32,859	6,299
Series 1 Debentures (note 5(c))	225,000	225,000
	$303,187	$300,066

6

Table of Contents

NOA

b) Credit Facilities

	September 30, 2012	March 31, 2012
Term A Facility	$19,076	$20,950
Term B Facility	25,670	37,496
Total term facilities	$44,746	$58,446
Revolving Facility	30,000	20,321
Total credit facilities	$74,746	$78,767
Less: current portion of term facilities	(29,418)	(10,000)
	$45,328	$68,767

As of September 30, 2012, the Company had outstanding borrowings of $44.7 million (March 31, 2012 $58.4 million) under the Term Facilities, $30.0 million (March 31, 2012 $20.3 million) under the Revolving Facility and had issued $5.1 million (March 31, 2012 $15.0 million) in letters of credit under the Revolving Facility to support performance guarantees associated with customer contracts. The $85.0 million in funds available for borrowing under the Revolving Facility are reduced by any outstanding letters of credit. The Company s unused borrowing availability under the Revolving Facility was $49.9 million at September 30, 2012.

On September 28, 2012, the Company entered into a Fourth Amending Agreement to the April 2010 credit agreement to extend the maturity date of the credit agreement by one year to October 31, 2014 provided the Company repays the Term B facility in full by April 30, 2013. If repayment of the Term B facility does not occur by April 2013, all amounts outstanding under the credit agreement are to be repaid by October 2013. The amendment requires that net proceeds from future asset sales and divestitures, including net proceeds from asset sales disclosed in the Company s first quarter filings, will be used to pay down the Term B portion of the credit facility. Following repayment of the Term B portion, 50 per cent of net proceeds from any subsequent asset sales will be used to reduce the existing Term A facility. On September 28, 2012, $8.7 million of net proceeds from asset sales executed in the three months ended June 30, 2012 was applied against the Term B Facility.

The Term Facilities require scheduled principal repayments of $2.5 million paid on the last day of each quarter commencing June 30, 2010 and continuing until the earlier of the maturity date or when the Term Facilities have been permanently repaid. The Company has classified the amounts contractually due under the Term Facilities over the next twelve months as current. Outstanding amounts may be prepaid under the amended Credit Facility in whole or in part at any time without premium or penalty.

The amendment also provides relief from the credit agreement s Consolidated EBITDA related covenants by temporarily amending the covenants. Under the terms of the amended agreement the Company will be able to increase its capital leasing capacity from $30.0 million to $75.0 million, supporting the Company s planned conversion of up to $50.0 million of existing operating leases into capital leases. This amendment is also accompanied by restrictions on net capital expenditures that can be made by the Company through the term of the agreement.

Interest on Canadian prime rate loans is paid at variable rates based on the Canadian prime rate plus the applicable pricing margin (as defined in the credit agreement). Interest on US base rate loans is paid at a rate per annum equal to the US base rate plus the applicable pricing margin. Interest on Canadian prime rate and US base rate loans is payable monthly in arrears. Stamping fees and interest related to the issuance of Bankers Acceptances is paid in advance upon the issuance of such Bankers Acceptance. The weighted average interest rate on Revolving Facility and Term Facility borrowings at September 30, 2012 was 7.55%.

The credit facilities are secured by a first priority lien on substantially all of the Company s existing and after-acquired property and contain certain restrictive covenants including, but not limited to, incurring additional debt, transferring or selling assets, making investments including acquisitions, paying dividends or redeeming shares of capital stock. The Company is also required to meet certain financial covenants under the credit agreement and as at September 30, 2012 the Company was in compliance with both the standard and the amended covenants.

c) Series 1 Debentures

On April 7, 2010, the Company issued $225.0 million of 9.125% Series 1 Debentures (the Series 1 Debentures). The Series 1 Debentures mature on April 7, 2017. The Series 1 Debentures bear interest at 9.125% per annum and such interest is payable in equal instalments semi-annually in arrears on April 7 and October 7 in each year, commencing on October 7, 2010.

The Series 1 Debentures are unsecured senior obligations and rank equally with all other existing and future unsecured senior debt and senior to any subordinated debt that may be issued by the Company or any of its subsidiaries. The Series 1 Debentures are effectively subordinated to all secured debt to the extent of collateral on such debt.

Table of Contents

6) Net income (loss) per share

	Three months ended		Six months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Net income (loss) to common shareholders	$3,710	$6,619	($1,416)	($2,395)
Weighted average number of common shares (no dilutive effect)	36,251,006	36,249,086	36,251,006	36,248,227
Basic net income (loss) per share	$0.10	$0.18	($0.04)	($0.07)

For both the three and six months ended September 30, 2012, there were 3,065,414 stock options which were anti-dilutive and therefore were not considered in computing diluted earnings per share (three and six months ended September 30, 2011 1,050,150 and 1,605,274 stock options respectively and nil and 100,000 stock awards, respectively).

7) Interest expense

	Three months ended		Six months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Interest on capital lease obligations	$198	$116	$384	$254
Amortization of deferred financing costs	407	379	808	812
Interest on credit facilities	1,919	1,805	3,909	3,267
Interest on Series 1 Debentures	5,133	5,133	10,266	10,266
Interest on long term debt	$7,657	$7,433	$15,367	$14,599
Other interest	564	115	600	326
	$8,221	$7,548	$15,967	$14,925

8) Derivative financial instruments

a) Derivative financial instruments in the consolidated balance sheets are comprised of the following:

September 30, 2012	Carrying Amount
Embedded price escalation features in certain long term supplier contracts	$ 7,228
Less: current portion	(3,346)
	$ 3,882

March 31, 2012	Carrying Amount
Embedded price escalation features in certain long term supplier contracts	$ 9,146
Less: current portion	(3,220)
	$ 5,926

b) The unrealized (gain) loss on derivative financial instruments is comprised of the following:

	Three months ended		Six months ended	
	September 30,		September 30,	
	2012	2011	2012	2011

Unrealized gain on embedded price escalation features in a long term customer construction contract	$	$(987)	$	$(1,242)
Unrealized (gain) loss on embedded price escalation features in certain long term supplier contracts	(1,896)	2,756	(1,918)	2,674
	$(1,896)	$1,769	$(1,918)	$1,432

8

Table of Contents

9) Other information

a) Supplemental cash flow information

	Three months ended September 30,		Six months ended September 30,	
	2012	2011	2012	2011
Cash paid during the period for:				
Interest	$2,233	$971	$14,784	$12,947
Income taxes	1,400	23	4,820	1,165
Cash received during the period for:				
Interest			6	
Income taxes	47	36	47	36
Non-cash transactions:				
Acquisition of property, plant and equipment by means of capital leases	36,127		36,759	386
Addition to assets held for sale	(257)		(257)	
Net change in accounts payable related to purchase of property, plant and equipment	(8,436)	(3,815)	(964)	1,153
Net change in long term portion of equipment lease liabilities related to purchase of property, plant and equipment	(2,230)		(2,230)	
Net change in accrued liabilities related to current portion of RSU liability	43	(120)	(1,657)	1,799
Net change in accrued liabilities related to current portion of DDSU liability	183		183	

b) Net change in non-cash working capital

	Three months ended September 30,		Six months ended September 30,	
	2012	2011	2012	2011
Operating activities:				
Accounts receivable, net	$1,254	$(67,313)	$70,692	$(28,595)
Unbilled revenue	28,112	(12,224)	(3,539)	(26,745)
Inventories	1,308	(4,315)	(1,526)	(7,603)
Prepaid expenses and deposits	1,585	443	258	(2,305)
Accounts payable	(17,906)	23,597	(54,125)	23,056
Accrued liabilities	(5,065)	11,647	(9,819)	3,961
Long term portion of liabilities related to equipment leases	860	(5,927)	(185)	(7,613)
Billings in excess of costs incurred and estimated earnings on uncompleted contracts	(24)	6,189	1,809	5,269
	$10,124	$(47,903)	$3,565	$(40,575)

c) Income taxes

Income tax expense as a percentage of income before income taxes for the three and six months ended September 30, 2012 differs from the statutory rate of 25.13% primarily due to the effect of permanent differences and prior year current tax adjustments. Income tax expense as a percentage of income before income taxes for the three and six months ended September 30, 2011 differs from the statutory rate of 26.25% primarily due to the effect of permanent differences, effect of changes in enacted tax rates and Alberta Finance audit adjustments from 2007 and 2008.

10) Segmented information

a) General overview

Effective April 1, 2012, the Company restructured its reportable business segments to better reflect the organization, management and reporting structure within the Company. Previously the Company defined reportable operating segments based on the type of work performed by the operating segments. The comparative results have been restated to conform to the new segment presentation.

Heavy Construction and Mining:

The Heavy Construction and Mining segment provides mining and site preparation services, including overburden removal and reclamation services, project management, underground utility construction, equipment rental to a variety of customers, environmental services including construction and modification of tailing ponds and reclamation of completed mine sites to environmental standards throughout Canada.

Table of Contents

Commercial and Industrial Construction:
The Commercial and Industrial Construction segment provides deep foundation piling construction and design build services to a variety of industrial and commercial customers throughout Western Canada and Ontario. It designs and manufactures screw piles and pipeline anchoring systems and provides tank maintenance services to the petro-chemical industry across Canada and the United States and sells pipeline anchoring systems globally. The segment also provides both small and large diameter pipeline construction and installation services as well as equipment rental to energy and industrial clients throughout Western Canada.

The accounting policies of the reportable operating segments are the same as those described in the significant accounting policies in note 2 of the annual consolidated financial statements of the Company for the year ended March 31, 2012.

b) Results by business segment

	Three months ended September 30, 2012			Three months ended September 30, 2011		
	Heavy Construction and Mining	Commercial and Industrial Construction	Total	Heavy Construction and Mining	Commercial and Industrial Construction	Total
Revenue from external customers	$116,582	$87,609	$204,191	$159,305	$86,081	$245,386
Depreciation of property, plant and equipment	6,123	641	6,764	5,574	884	6,458
Segment profit	10,370	16,958	27,328	18,350	15,902	34,252
Capital expenditures	12,906	557	13,463	3,764	5,493	9,257

	Six months ended September 30, 2012			Six months ended September 30, 2011		
	Heavy Construction and Mining	Commercial and Industrial Construction	Total	Heavy Construction and Mining	Commercial and Industrial Construction	Total
Revenue from external customers	$282,032	$158,081	$440,113	$322,696	$116,713	$439,409
Depreciation of property, plant and equipment	13,936	1,503	15,439	12,150	1,304	13,454
Segment profit	19,018	27,434	46,452	26,873	16,094	42,967
Capital expenditures	15,973	2,316	18,289	4,115	6,318	10,433

	As at September 30, 2012			As at March 31, 2012		
	Heavy Construction and Mining	Commercial and Industrial Construction	Total	Heavy Construction and Mining	Commercial and Industrial Construction	Total
Segment assets	$375,935	$229,813	$605,748	$414,253	$225,105	$639,358

c) Reconciliations

i) Income (loss) before income taxes

	Three months ended September 30,		Six months ended September 30,	
	2012	2011	2012	2011
Total profit for reportable segments	$27,328	$34,252	$46,452	$42,967
Less: Unallocated equipment costs ( )	1,414	871	2,350	2,975
Gross Profit	$25,914			