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OPERATOR: Good morning, ladies and gentlemen, and thank you for standing by. Welcome to the ShawCor third quarter 2007 financial results conference call. At this time, all participants are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session. Instructions will be provided at that time for you to queue up for questions. If anyone has any difficulties hearing the conference, please press * followed by 0 for operator assistance at any time.

I will now turn the conference call over to Mr. Gary Love, Vice-President, Finance and Chief Financial Officer.

Please go ahead, sir.

GARY LOVE (Vice-President, Finance, Chief Financial Officer, ShawCor Ltd.): Thank you, Yvonne.

Today's conference call includes forward-looking statements that involve estimates, judgements, risks and uncertainties that may cause actual results to differ materially from those projected. The uncertainties include, among other things, economic conditions, levels of drilling and pipeline activity, environmental and regulatory risks, liability claims, exchange rate fluctuations, political risk and raw material prices.

Further information on risks that could affect the Company can be found on ShawCor's 2006 annual report and annual information form, as

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well as the quarterly reports for the first three quarters of 2007. Copies of these are available on SEDAR at sedar.com and may also be found on the Company's website at shawcor.com.

I'll now turn the call over to Bill Buckley, President and CEO.

WILLIAM BUCKLEY (President and Chief Executive Officer, ShawCor Ltd.): Thank you, Gary, and good morning, everyone.

ShawCor has again strong quarterly results with revenue and operating income substantially improved over the prior year and roughly in line with our record operating performance in the second quarter of this year.

In terms of the comparison with the third quarter of 2006, revenue was up 5 per cent despite the impact of the stronger Canadian dollar. The backlog increased to 411 million, an increase of 9 per cent from the second quarter. On the same year-over-year basis, our operating margin grew from 9.4 per cent to 17.2 per cent with a result that our operating income improved by 93 per cent. The increase in operating margin was most evident in our pipeline in pipe services segment where margins increased by almost 8 percentage points. We also saw excellent results in our petrochemical and industrial segments where margins improved by 2.3 percentage points over the prior year.

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I mentioned during our second quarter conference call several factors that have contributed to the growth in margins on a year-over-year basis. These include improved project execution and improved facility utilization.

This strong performance closely paralleled the results in the second quarter of this year and the areas of strength that we noted last quarter were again prevalent in the third quarter. Specifically, the Far East and Americas regions of Bredero Shaw continues to operate at high levels of utilization and operational efficiency.

In the Far East the Medgas and Woodside Angels projects, which had commenced in the second quarter, were completed. In the Americas, our Canadian large diameter facilities were fully utilized with several Kinder Morgan and Enbridge projects including phase 1 of southern access and the completion of the Wapasu project. Finally, the U.S.A. saw strong project activity including Rockies Express, Golden Pass and the Phoenix lateral pipelines.

Gary Love will comment further on the impact of the strengthening Canadian dollar on our reported results; but in summary I would say that the impact on our third quarter results was negative with revenue depressed by 13 million, or 5 per cent compared with what we would have

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reported had the Canadian dollar been at the level of a year ago. Similarly, our net income was depressed by 3 million, or close to \$0.04 per share.

I'll spend a few moments updating you on our business outlook; but first I'll ask our CFO Gary Love to provide a little more detail on the information contained in our third quarter earnings report.

Gary?

GARY LOVE: Yes, thanks Bill.

We'd like to take a couple of minutes to provide you with an outline of how ShawCor is impacted by changes in the Canadian dollar.

To begin with, in the third quarter approximately 30 per cent of ShawCor's consolidated revenue was generated in Canadian dollars while just over 50 was earned in U.S. dollars, primarily in our foreign operations.

Therefore as the Canadian dollar strengthens, the translation of the results of our foreign operations into Canadian dollars for reporting purposes leads to lower reported revenue and income.

In the third quarter, for every \$0.01 movement in the Canadian dollar versus the U.S. dollar, reported revenue in the quarter is impacted by approximately \$1.5 million and net income is impacted by approximately \$300,000.

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For the first nine months of 2007 we have realized an average Canada-U.S. exchange rate of approximately \$0.91. With the exchange rate now at \$1.05, we should expect that our fourth quarter results will be negatively impacted by a potential \$0.14 movement relative to the first nine of this year.

The second major impact of exchange rate movements is the foreign exchange transaction gains and losses that we report on a quarterly basis. Now these amounts can be quite volatile. In fact, over the past eight quarters, FX transaction gains or losses have varied between a quarterly loss of 1.8 million and a quarterly gain of 1.5 million. In aggregate, however, the gains and losses balance out and over the last two years we have generated only a modest net gain of less than \$2 million.

Now as Bill mentioned, operating income of \$45.5 million compares very favourably with the prior year and is in line with the \$47 million reported in the second quarter. Based on this operating result, net income in the third quarter reached \$30.2 million or earnings per share of \$0.42 fully diluted. This was in line with the second quarter and an improvement of 83 per cent over the prior year.

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Return on equity exceeded 20 per cent in the third quarter and is now at 18.5 per cent for the first nine months of the year. And this is up from 15.8 per cent for all of 2006.

With depreciation steady at \$10 million per quarter, EBITDA for the third quarter continued at a strong level of \$55 million, or \$0.76 per share. The EBITDA margin, at 20.9 per cent, was actually slightly higher than the 20.6 per cent recorded in the second quarter and was 3.6 percentage points higher than the level achieved for all of 2006.

On a segmented basis, the EBITDA margin in the petrochemical and industrial segment declined a little bit from the second quarter level but was still quite strong at 19 per cent while the EBITDA margin in the pipeline segment jumped to 22 per cent from 16 per cent in the third quarter of 2006, or 19 per cent for all of 2006.

Our effective tax rate for the third quarter came in quite close to the Canadian statutory rate of 34 per cent and for the first nine months of 2007, our effective rate is just under 33 per cent.

In the third quarter the benefit to our effective tax rate from income earned in foreign jurisdictions with tax rates lower than Canadian rates was almost exactly offset by withholding taxes that arose on the repatriation of earnings from foreign jurisdictions to Canada.

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Cash provided by continuing operations for the third quarter of 2007 before working capital changes at 41.4 million, or \$0.57 per share, was unchanged from the second quarter of this year but was up 50 per cent from the third quarter of the prior year; and that, of course, was in line with the growth in EBITDA.

Working capital increased by 7.7 million in the quarter on higher receivables and inventory partially offset by an increase in deferred revenue from customer project advanced payments. Again in the third quarter, cash flow for operations continued to more than cover our cash used in investing activities. Year to date, our cash flow from operations of \$90 million compares with cash used in investing activities of \$68 million.

In the third quarter, investing activities were primarily focused on capital expenditures on plants and equipment. Included in the total capital expenditures of 24 million for the quarter were the continued new facility expenditures on our new plants in Camrose, Alberta, and the United Arab Emirates. Both of these project are now substantially complete.

On that note, I'll turn it back to you, Bill.

WILLIAM BUCKLEY: Thanks, Gary.

I'd first like to take a moment to comment on the press release that we issued last night. In this release we announced that a Mobile, Alabama

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jury has reached a verdict awarding total damages of \$108 million U.S. This lawsuit claimed that Bredero Price Company disposed of hazardous solid waste from its Mobile pipe-coating plant in a non-hazardous waste landfill. Each of ShawCor and Halliburton are responsible for 50 per cent of the total award.

Both ShawCor and Halliburton believe that there are very strong grounds for appeal. So when a decision respecting an appeal is finalized, ShawCor will assess the adequacy of its current accrued liability. Any necessary additional reserve will be recorded as a loss from discontinued operations during the fourth quarter. This amount will not exceed \$30 million U.S. on an after-tax basis or \$0.41 per share and any switch amount will be reduced as a result of a successful appeal.

Now, during our second quarter conference call I commented on several facility expansion programs we have underway which will support our future growth.

I'd like now to provide you with an update on these programs.

In Camrose, Alberta, we've completed the construction of a second major plant at this site. This new plant has now begun production of the high temperature insulation coatings for the CNRL Primrose project. By the end of the year, we expect to commission a new large-diameter fusion

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bond epoxy coating line at this location that will provide additional capacity for several projects that will begin in 2008.

We have also now commenced site preparation and related activities to support the expansion of our large-diameter pipe coating facility located adjacent to the IPSCO pipe mill in Regina. This expansion will be completed by mid 2008 and will provide the capability to coat the increased volumes of pipe that will be produced by the IPSCO facility following their expansion program.

In the Emirates, we have completed the facility conversion and expansion at our existing location at Ras al Kaimah and production will commence in November on a major project for Qatar Gas. This project, coupled with a second major project for which we have received a letter of intent, will fully utilize the new capacity that we are bringing on stream with expected revenue in 2008 in excess of \$50 million.

Looking at the short-term outlook for revenue, we've noted in our third quarter press release that revenue will soften in the fourth quarter from the pace set in the second and third quarters. This is due to the Canadian dollar expected to continue at its current, strong level and due to the completion of several major projects in the Far East along with slippage of new projects in the Middle East and Brazil to the first quarter of

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2008. With the commencement of the recently announced Woodside Pluto project in the Far East in 2008, with the value in excess of \$85 million U.S., we expect to see revenue return to and ultimately exceed the third quarter levels.

As we move into 2008, a critical element in our potential for strong revenue growth will be the emergence of the major large-diameter pipeline projects in the North Sea and Baltic.

In this regard, we were disappointed to learn of the Norwegian government's decision to not approve the expansion of gas production from the Troll Field. As a result, Statoil will not proceed with the GNE pipeline at this time. While this impacts the 2008 and 2009 outlook for Norwegian pipeline development, the Norwegian government has confirmed its intent to expand overall gas output by in excess of 60 per cent over the next 10 years, which should translate into excellent growth opportunities. In this regard, we're currently bidding the coating for the Jowl(?) oil and gas pipelines for Statoil.

The outlook is better in the Baltic where the Nord Stream project is proceeding on an aggressive timeline that will see pipe coating commence in January of 2009. We have submitted tender for the pipe coating on this

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project and expect to receive an indication of whether our bid was successful in December.

(Inaudible) this project will require us to complete the upfront engineering work that's currently underway and then immediately commence the mobilization of existing capacity in the region as well as new plant mobilizations.

Although the challenge of executing the largest pipe-coating project in global history will be significant, success in securing as major portion of Nord Stream should translate into strong incremental revenue and profit in 2009 through 2011.

And with that, I'll now turn the floor over to the operator for questions.

OPERATOR: Thank you. Ladies and gentlemen, we will now conduct the question-and-answer session. If you have a question, please press the * followed by the 1 on your touchtone phone. You will hear a tone acknowledging your request. Your questions will be polled in the order they are received. Please ensure you lift the handset if you're using a speakerphone before pressing any keys.

Your first question comes from John Tasdemir from Tristone Capital. Please go ahead.

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JOHN TASDEMIR: Yes, hey, good morning, guys. You know, obviously there are a lot of moving pieces and you talked about capacity expansion and you talked a little bit about kind of what's in the pipeline. I was hoping maybe you could kind of tie it all together and go out on a bit of a limb and talk about how 08 looks relative to 07, perhaps from a top-line perspective and even a margin perspective. I know that's asking a lot but you're going to have some stuff roll off 07 which you might not capture in 08 and more stuff coming on in 08. Can you at least paint some type of a picture for us?

WILLIAM BUCKLEY: Sure, John. Overall, we're encouraged by the global strength in large-diameter pipeline activity in particular. Of course the small-diameter story in Canada is different but when you look at large-diameter activity, globally, we are very encouraged.

In the Americas there's new projects that continue to be identified and are being evaluated by our clients with high probabilities of proceeding. We've got strong backlogs in the Americas.

The recent decision in the last couple of weeks to proceed with the Deep Panuke project by EnCana with a special purpose offshore pipeline is an example of these new projects. One that's been announced, it's going ahead.

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The high levels of activity in the Mid East and Far East and in the Australian Northwest shelf continue and there are continued projects that will be going forward over the next three or four years.

The Jowl project in the North Sea, the Nord Stream project in the Baltic, all very positive for us.

The announcement last week that Statoil has taken a 24-per-cent share in the Shtokman project in the Bering Sea, this is a very large project and will be very technically challenging and does play to our strengths.

All of this shows that the market is still restruc... reflecting for us unprecedented strength and we see that in our current backlogs and we also see that coupled with the new project additions, particularly, as I say, on the large-diameter side that we're seeing.

So you put that all together and we've been saying that revenue in 2008 will be roughly in line with 2007 and we'll see a large ramp up in 2009 through 2011.

I would expect we'll see perhaps a little increase as we go into 08, not a large increase but the big increase, you know, based on our backlogs and based on the projects that we're working on really hits in 2009, 10 and 11.

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With respect to margins, that's been the story over the past year. Certainly the improvement in our margins, a lot of that's coming about just through utilization in our facility but probably more important has been just the improvement in execution with the programs like our SMS ShawCor manufacturing system, our global procurement program and our marketing programs and our new product development programs, they are contributing in the main to the improvements in margin.

Having said that, in certain regions certainly the price-cost relationship is better on certain projects due to tightness in the markets but that's sort of more specific than localized.

And I think that kind of summarizes our outlook both from the revenue point of view and from a margin point of view.

JOHN TASDEMIR: Yes. Extremely helpful. One other question and I'll turn it to someone else. Gary, you talked about your businesses internationally and the revenue split and how that impacts the income statement from a forex perspective. What about on the cost side? I mean, does it have, does forex have an impact on your margins?

GARY LOVE: Yes. Yes, it does. Really, when we talk about the impact of translating foreign currency operations to Canadian dollars for reporting purposes, to the extent the foreign operations have operating

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income margins that differ from the Canadian operation, you can get an impact and I would point you to I guess the most meaningful metric I guess I can provide, which is if we look at the third quarter, a \$0.01 movement in the Canadian dollar in the third quarter, every \$0.01 movement on our mix of business in the third quarter impacted our reported revenue by \$1.5 million. That same \$0.01 movement impacted our net income by \$300,000.

JOHN TASDEMIR: okay.

GARY LOVE: And so if you do the math, that's a higher margin than our... and simply because of the profit mix that we had in the third quarter.

If you project that forward, then it does indicate that continued strength in the Canadian dollar is a negative factor in our margins.

JOHN TASDEMIR: Right. Okay, yes that's extremely helpful. All right, guys. That's all I had. I appreciate it.

OPERATOR: Your next question comes from Chris Buncic, of Cormark Securities. Please go ahead.

CHRIS BUNCIC: Oh, hi. Good morning. I was hoping that you could just give us a further revenue breakdown by geography for the past three months and nine months?

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GARY LOVE: Sure, I can provide that. We report in our annual report a geographic segmented disclosure and we've sort of reworked that a little bit to make it a little bit more meaningful, but I'll give you the numbers for the third quarter. Revenue split – Canada, approximately 24, 25 per cent of our total revenue was generated in Canada. The rest of the Americas, the U.S.A., Mexico, Latin America in the third quarter, 20 per cent. Europe, in the third quarter, down around 12, 13 per cent. And Mid East, Far East very strong in the third quarter, 44 per cent. And this is in line with some of the comments that Bill made.

If you compare that to 2006, probably where there's I guess a meaningful change is in the Mid East, Far East. In 2006, the Mid East, Far East revenue share was only around 37 per cent. Europe was a lot higher in 2006, at about 20, sort of low 20-per-cent range. And so that where's you've had a transition from 06 to third quarter 07.

CHRIS BUNCIC: Okay. That's great. Thanks very much.

OPERATOR: Your next question comes from Dana Benner of Westwind Partners. Please go ahead.

DANA BENNER: Good morning, guys.

WILLIAM BUCKLEY: Good morning.

GARY LOVE: Good morning.

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DANA BENNER: I wonder, notwithstanding your comments with respect to this lawsuit about the fact that a process like this can go on for quite some time, I would certainly imagine you guys would appeal. I'm just trying to get a sense for the timeline under which this went from a non-material possibility or event to materiality. Can you walk us through the series of events that took us to this point in time?

GARY LOVE: Dana, maybe I'll tackle that one for you, if I may. This issues dates back to 2001-2002. In fact, we became aware of the issue in 2002 and it was immediately reported to the Alabama State regulator and also the landfill operator. So that happened back in 2002.

In 2004, at the end of the 2004, ShawCor made the decision to record a write-down on all of our Mobile activities and in fact at the end of the 2004 Mobile was classified as a discontinued operation. So at that time, we set up a liability for our estimate of the cost to remediate this issue at this particular landfill. So that's 2004.

Since that time, I can assure you that on a quarterly or annual basis, as part of our ongoing process of assessing the adequacy of reserves and accruals that we set up for various different matters, we look at this issue. We discuss it with the auditors. We look at it as well, and particularly in the

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context of what our environmental consultants are advising us is appropriate to remediate the site.

And from 2004 until today I can tell you that we have maintained what we believe is an accrual to reflect the cost of fixing this problem. As a result, we did not and do not believe that a contingent liability existed. We had the amount accrued that we felt was appropriate to fix the issue.

The issue went to trial on October 22nd and as the trial unfolded, we faced with issuing our third quarter results, we reassessed the adequacy of the disclosure and put the note disclosure in the third quarter notes.

So that's the chronology of how we've arrived at where we are today.

DANA BENNER: Was there anything that came up during the arguments of this trial in terms of the presentation of points of evidence that may have either surprised you or maybe moved this from being say immaterial to material or was this simply a case of because it was a jury trial, these things can go absolutely wherever and you were just as surprised as anything?

WILLIAM BUCKLEY: Dana, I can answer that one. I think in terms of the facts that surfaced during the trial, there were no new facts that surfaced, from our point of view, at all.

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We think the number to remediate the site that was suggested by the plaintiff is excessive by any measure and we're going to vigorously appeal. We have a number of points to appeal on and we are going to vigorously appeal and Halliburton is going to appeal with us.

DANA BENNER: Okay, well that's very helpful. If we could move to Nord Stream for a second, there was a news items out here just a little while ago that – and it may have been a completely non-meaningful – but that there may have some reassessment of timing of the project or timing of what certain events may occur that would allow the decision to be made. Has there been any shift of project timing at all from your perspective?

WILLIAM BUCKLEY: Dana, no there hasn't been. At this point the client has ordered the pipe for the first line. That order's been placed. He has ordered the lay barge services to lay the pipe for the first line. And as we've commented, he's in the process of negotiating right now the pipe coating services.

It's a complex project. There is, you know, ongoing news that you will see regarding the sub-sea surveys, routing, preparation of the sub-sea to take the pipe, trenching, etcetera. But it's proceeding on schedule.

DANA BENNER: Great. Could you remind us what the range, you know, as you sit and think about your own capital budgeting and what you

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would need to do, when and what the upside would be, can you remind us what the range of outcomes could be for ShawCor with respect to this project? Obviously you're a great player globally and I would think most would suspect you'd get at least some portion of it. But how material could this be from a revenue perspective? Give us maybe a range.

WILLIAM BUCKLEY: Yes. At the moment we're negotiating with the client and we're proposing to the client, at the client's request, a number of optional approaches. And those optional approaches inherently have a range of capital requirements to them that are different and they also have a range of revenue outputs that could potentially be different as well.

So I can tell you at this point with our position, we are the largest pipe coater in the world, we can draw on our global resources and long experience in the North Sea. We've coated over 90 per cent of the offshore pipelines in the North Sea region, which comprises over 10,000 kilometres of pipeline. We have technology for concrete weight coating of pipelines in the northern hemisphere which uses what's referred to a steam-cure technology. We have that. We have the strongest balance sheet in the industry which provides the ability to undertake and to complete this project.

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And we can dedicate our existing large-diameter facilities that are in the region to this project, which can provide the client with a guarantee that start up is going to happen on time and that the output rates, which have to match with the lay barge rates, are going to be met as well.

So from that point of view, we think we're in a strong position. It is a competitive bid situation. We do feel that we're in a strong position to get a major portion as a minimum of this project. We think the value, roughly, for this project will probably be between a range of 700 million and 1 billion euros.

DANA BENNER: Great. And just two quick questions for Gary before I turn it over. Firstly, can you just give us an update on your normal course issuer bid and secondly, tax rate guidance for next year?

GARY LOVE: Okay. With respect to the NCIB, we did not repurchase a lot of shares in the third quarter, unlike the second quarter but it is still the company's intent to utilize the NCIB to the fullest extent possible.

We have, the NCIB will expire at the end of November and the opportunity does exist though for us to renew that bid. So I think you can stay tuned on that point but we do have the opportunity to renew that bid.

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With respect to tax rate guidance, I think I've said before and I'll repeat it again, we should see tax rates in the low 30-per-cent range. They move around a lot for the simple reason that our source of profitability tends to move from quarter to quarter. We operate in foreign jurisdictions that have tax rates lower than the Canadian 34-per-cent rate. So to the extent we're generating more profit in a region that has a lower rate, then that tends to bring our overall rate down. There are many factors, though, that from a quarter-to-quarter basis, can impact that.

So in terms of general guidance, I think we should be below 34 per cent. We should be 30 to 32 per cent, but it moves around. It moves from quarter to quarter.

DANA BENNER: Okay. Thanks, guys.

WILLIAM BUCKLEY: Thank you.

OPERATOR: Ladies and gentlemen, if there are any additional questions at this time, please press the * followed by the 1. As a reminder, if you are using a speakerphone, please lift the handset before pressing the keys.

Your next question comes from Levon Von Redden(phon) of Hockey Capital. Please go ahead.

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LEVON VON REDDEN: Good morning. Just a follow up related to one of the earlier questions. You kind of talked about having 08 revenue somewhat flattish relative to 07's. Any sense when you put that all together, where you think margin's going to go as well?

GARY LOVE: Levon, it's Gary. I'll take the question. I thing we've said, I think on several occasions that we see margins trending upward as we move forward. The key factors underlying that outlook are the opportunity for us to enhance utilization of existing capacity. That's probably the most significant driver of margin improvement, the continued success in our efforts to improve operational efficiency and execution, that's some of the things that Bill talked about in terms of the ShawCor manufacturing system. And from a region-to-region basis, we do see the potential for the pricing, the price/cost relationship to improve as industry-wide capacity tightens up.

So each of those factors is in play for us in 2008 and I think we continue to stand by our qualitative guidance that margins are going to trend upward as we move forward. Now we're not putting numbers out and saying that in such and such a quarter, we're going to hit such and such a margin level.

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LEVON VON REDDEN: No, that's fine. And you also made a comment earlier also about, I guess, the Canadian small pipe market. Maybe you can update us kind of what's happening up there?

WILLIAM BUCKLEY: Yes, our level of coating of small-diameter pipe basically moves with drilling activity in Canada and of course it's quite low at the moment and depletion rates are continuing to progress so you know it's going to come back. But it's not likely to come back in a quarter or two. It's probably going to be more a year or so before it does come back.

It was quite strong a year ago and we're in a lull right at the moment and we're just saying that that's what we're anticipating as we look at the next quarter and the quarter beyond.

LEVON VON REDDEN: Final question. It sounds like you were a little surprised by the Norwegian government's decision to kind of curtail or cut back on this pipeline up in the North Sea. Are there any other contracts of similar nature which could be kind of cut back short term or that may be in jeopardy? And if you could, maybe give us some sense as to what that contract could have meant in terms of revenues for the company should the Norwegian government decide to come back with it?

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WILLIAM BUCKLEY: Yes. The debate as to whether you could pull the gas of the Troll Field without impairing the oil flow has been going for some time and the Petroleum Directorate of the Norwegian government was doing extensive studies of this and that was well known to us. Certainly Statoil obviously wanted to proceed with the project and had been doing a lot of engineering work in preparation for the project. So to that extent, it was a disappointment and perhaps a mild surprise.

There's no other projects that I think we're looking at right now that would fall into the same category or be the same size. The GNE project coating value was probably going to be in excess of \$300 million U.S.

LEVON VON REDDEN: Thank you.

OPERATOR: Your next question comes from Bill Doyle of Wanger Asset Management. Please go ahead.

BILL DOYLE: Hi. Can you update us on how activity's been in the Gulf of Mexico? And then also a little bit on what you see as far as bitumen lines in the Fort McMurray area?

WILLIAM BUCKLEY: Yes. Perhaps starting with the activity in the Fort McMurray area. Of course, it's been quite active and there's a lot of engineering work going on now for additional lines and to provide the take-away capacity from Edmonton down into the markets, into the U.S.,

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discussions of projects like Alberta Clipper and the Keystone project, into those pipeline projects that are proposed, in some cases, to go all the way down to the Gulf so that they can access pipelines that go up into the northeast to access refining capacity in the markets that are up in that region. So it continues to be a pretty buoyant picture there.

We're, as I mentioned, bringing some new technology to bear on that with our high temperature insulation products. And with the CNRL Primrose project, we're offering a unique solution to the client in that regard.

In the Gulf of Mexico, I'd say things are a little quieter certainly than what we're seeing up in Alberta right at the moment. But it appears with the engineering work we're doing with the clients, that we're beginning to enter a new cycle of development in the Gulf of Mexico and a lot of it is going to require new technology for our offshore, deepwater products. And that's our therma-type range of products.

And in the R&D area, we have a number of projects underway now for new generations of materials that are going to be required for activities in deeper water, in the ultra deep and in deep water projects.

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And so I'd say we're kind of at the development and engineering phase for projects in the Gulf and we would expect them to manifest and increase as we get into 2008 and 2009.

BILL DOYLE: Okay, thanks.

OPERATOR: Gentlemen, we have no further questions at this time. Please continue.

WILLIAM BUCKLEY: Okay, well, thank you very much, Operator. Thanks to everyone for tuning in thank you for your questions. And we'll talk to you next quarter.

OPERATOR: Ladies and gentlemen, this concludes the conference call for today. Thank you for participating and please disconnect your lines.

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