FINAL TRANSCRIPT

ShawCor Ltd.

Third Quarter Results

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PRESENTATION

Operator

Good morning. My name is Kirk and I will be your conference Operator today. At this time, I would like to welcome everyone to the ShawCor Ltd. Third Quarter Results Conference Call.

All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you'd like to ask a question during this time simply press *, then the number 1 on your telephone keypad. If you'd like to withdraw your question press the # key. Thank you.

Mr. Gary Love, Chief Financial Officer, you may begin your conference.

Gary Love — Chief Financial Officer, ShawCor Ltd.

Thank you, and good morning. Before we begin this morning's conference call, I would like to take a moment to remind all listeners that today's conference call includes forward-looking statements that involve estimates, judgments, risks, and uncertainties that may cause actual results to differ materially from those projected.

The complete text of ShawCor's statement on forward-looking information is included in Section 4 of the third quarter 2013 earnings press release. It is available on SEDAR, and on the Company's website at shawcor.com.

I'll now turn it over to Bill Buckley, ShawCor's Chief Executive Officer.

Bill Buckley — Chief Executive Officer, ShawCor Ltd.

Thank you, Gary, and thank you, ladies and gentlemen, for participating in our conference call this morning.

Yesterday we released our third quarter 2013 financial results, and I'm pleased to report that the Company continues to generate strong results with record revenue, record EBITDA, and record net income all achieved in the quarter.

During the third quarter, our revenue reached a new record level of $526 million, an increase of 35 percent over the third quarter of 2012. Our EBITDA on a consolidated basis reached $129 million, and our net income was also improved by 37 percent over the prior year to a new quarterly record level of 73 million or $1.21 per share.

We had excellent execution from all of our business operations, but as has been the case all year, the key area of strength continued to be our Asia Pacific pipe coating operations. Revenue from ShawCor's Asia Pacific Pipeline segment businesses exceeded $205 million, and generated very strong margins and operating income.

On this point, margins continue to exceed our bid estimates, which are a result of the continued excellent project execution on the Ichthys gas export pipeline, and on the Chevron Wheatstone flowlines, and the smooth ramp up, in addition, of the Apache Julimar project.

I would also point out that we have now completed over 8 million person hours of work on these projects without a serious HSE incident. These results reflect our commitment to an injury and incident-free workplace, and to flawless execution following the disciplines embedded in the ShawCor Management System.

With the record revenue and the continued execution of the $400 million Ichthys gas export pipeline project during the quarter, our backlog did decline to $646 million from $778 million at the start of the quarter. With the Ichthys gas export pipeline project now nearing completion, we are expecting Asia Pacific revenue and earnings to be substantially lower in the fourth quarter of this year.

Looking longer term, though, the Company's bidding activity is currently extremely strong, and this provides us with confidence in the potential for growth beyond 2014.

And I'll have more to say on this later in the call, but first I'll turn it back to Gary Love, our CFO, to provide you with other key details on the quarter.

Gary Love

Thanks, Bill. We are recording record revenue in the third quarter of 2013 of $526 million, up 35 percent over the third quarter of last year, and also up 15 percent from the immediately preceding quarter.

Year over year, the most significant sources of revenue growth were Asia Pacific, with revenue increasing $121 million or 144 percent, and our North American Pipeline segment, with revenue increasing $19 million or 12 percent.

On a consolidated basis, reported gross margins in the third quarter are 43.6 percent, up 2.4 percentage points from the prior year. The Pipeline segment gross margin in the quarter was 44.4 percent versus 43.1 percent a year ago, while the Petrochemical segment gross margin was 33.1 percent versus 28.5 percent a year ago.

Now compared to the second quarter this year, the Pipeline segment gross margin improved by 1.6 percentage points. This increase was a result of the very strong margins in Asia Pacific, and an improvement in performance at Socotherm and at Flexpipe.

The year-over-year increase in gross profit of $68 million was partially offset by the $19.5 million increase in SG&A, which we are reporting at $96.3 million this quarter versus a year ago at $76.8 million. The major factors in the SG&A increase were the inclusion of Socotherm, which added $8.4 million of SG&A, combined with an increase in personnel and incentive compensation costs of $2.9 million, and increased facilities-related costs of $2.5 million.

The Company's overall consolidated EBITDA for the third quarter is $128.3 million, for a consolidated EBITDA margin of 24.4 percent. For the Pipeline segment, the EBITDA margin was 27.8 percent compared with 25.9 percent in the second quarter, while the Petrochemical and Industrial segment EBITDA margin came in at 19.7 percent versus 14.1 percent in the second quarter.

Depreciation and amortization in the third quarter is $20.7 million. This compares with $13 million a year ago. And that increase is the result of accelerated depreciation in Asia Pacific, the addition of depreciation from the Socotherm acquisition, and the increased amortization relating to intangible assets that was recognized on the Socotherm acquisition.

As a result of the addition of long-term debt that we incurred to complete the plan of arrangement transaction in March and the reduction in cash balances, net finance costs have increased to $4.5 million compared with finance income of $307,000 a year ago.

During the third quarter 2013, the Company has recorded an effective tax rate of 29 percent, which is consistent with the second quarter, but is substantially higher than the rate a year ago, and is also higher than the Canadian statutory tax rate of 27 percent. As was the case in the second quarter, the relatively high effective tax rate is due to losses in certain jurisdictions where the Company is unable to record a tax benefit.

Turning to cash flows during the third quarter. Cash flow provided by continuing operations before changes in working capital and deferred revenue was $100 million, an increase of 35 percent over $74 million a year ago, and also improved by 28 percent from $79 million in the second quarter.

The net change in working capital and deferred revenue was a net cash outflow of $95.3 million, and this was entirely the result of the $112 million reduction in deferred revenue that occurred during the third quarter.

Cash flow used in investing activities in the third quarter, excluding reductions in short-term investments, was $19 million, and this consisted primarily of capital expenditures on property, plant and equipment. The major growth capital expenditures in the third quarter included completion of our new DSG-Canusa facility in Europe, the expansion of our real-time radiography capacity, expenditures for the new Guardian pipe inspection facilities in Texas, and finally, field equipment capacity additions at Flexpipe.

Cash flow provided by financing activities in the third quarter was $27.6 million. Sources of cash from financing activities include a $30.8 million increase in bank debt, and $6.7 million from the issuance of common shares. The only significant use of cash was the regular quarterly dividend of $7.5 million.

Finally, we ended the quarter with cash and short-term investments of $111.4 million.

I'll now turn it back to Bill for his comments on our outlook.

Bill Buckley

Thank you, Gary. We noted in our press release that during the third quarter our backlog declined by $130 million to $626 million at the end of the quarter. However, the fact that the backlog declined by only $130 million while we generated quarterly revenue of $525 million speaks to the continuing strong flow of small project orders throughout our various pipeline businesses.

The reduction in backlog, in fact, was due to the continued execution of the two major projects in the Asia Pacific region. As of the end of the third quarter, we have completed the Chevron Wheatstone trunkline project, and we are substantially complete on the Wheatstone flowline project.

With respect to the Inpex Ichthys project, we have completed approximately 90 percent of the $400 million gas export pipeline, the GEP, but we've only just started production on the $100 million Ichthys flowline project. With these two major projects ramping down in the fourth quarter and being fully complete by mid-2014, we expect that Asia Pacific revenue will decrease by at least 50 percent in 2014 versus 2013.

With this decrease in mind, we are expecting that ShawCor's consolidated revenues and earnings will decrease in 2014 from the record levels we are on track to report this year. Beyond 2014, we're very optimistic regarding the Company's potential for growth.

As we indicated in our press release, ShawCor's bidding activity remains very strong, as evidenced by the value of outstanding firm bids for projects that now exceeds $900 million. In addition to the outstanding firm bids, we've provided budgetary estimates for projects that will involve pipe coating values that exceed $350 million, and we are tracking further projects with a potential value of close to $1 billion.

Many of the projects where we have outstanding bids could start up production in late 2014 and early 2015, and this bodes well for revenue growth in 2015. Should we be successful in securing this work, then the potential exists for 2015 activity to surpass the record levels of 2013.

In addition to the large project activity, we're realizing steady operational improvement at Socotherm. During the third quarter, Socotherm reported a significant improvement in performance compared to the second quarter. We have now established a new management team at the

Socotherm location in Channelview, Texas, and we accomplished an important objective with the restart in the third quarter of the Pozzallo, Italy facility after four years of inactivity.

In the quarter, we successfully completed a complex syntactic polypropylene installation project for deployment offshore West Africa. Although it will take until the end of 2014 for Socotherm to reach the level of profitability of our Bredero Shaw pipe coating business, the improvement program is well underway and will benefit from the improvement in Socotherm profitability on a quarter-over-quarter basis over the next five quarters.

At our other business units, I would highlight three initiatives that will be catalysts for profit growth. First is the continuing growth at Flexpipe, where our composite spoolable pipe products are gaining share in North America, Latin America, and Australia.

The success we're having with the geographic expansion of Flexpipe and the tremendous growth potential of this business was again demonstrated, with Flexpipe reporting record revenue in the third quarter.

Second is our expansion of real-time radiography technology, or RTR, for pipe weld inspection in the US land pipeline market. And third is the ramping up of production at the two new Guardian facilities in the US, one located in the Eagle Ford area of East Texas, and the second located in Midland, Texas to service the growth activity in the Permian Basin.

Lastly, I would highlight our expectation that the Company will be increasing its efforts to identify and complete acquisitions of both related tuck-under businesses, as well as new business platforms that expand ShawCor's breadth of products and services that we bring to the energy industry.

We have the balance sheet, the management, and the business systems to execute on an effective acquisition program, and I expect that this will be an important complement to our organic growth programs.

And with that, I'll turn it back to the Operator for questions. Kirk?

Q&A

Operator

At this time, I would like to remind everyone in order to ask a question, please press *, then the number 1 on your telephone keypad.

And your first question comes from the line of Dan MacDonald from RBC Capital Markets. Your line is open.

Your next question comes from the line of Dana Benner from AltaCorp Capital. Your line is open.

Dana Benner — AltaCorp Capital

Morning, guys.

Bill Buckley

Morning.

Gary Love

Morning, Dana.

Dana Benner

I wanted to start with the—I mean it's the quarterly question, but the individual projects, the more—the larger ones that are out there and maybe in nearer-term focus for when they could get awarded, which ones those may be, say, in the next six months?

Bill Buckley

Sure, Dana. Some of the project names that are likely to convert into orders in the next few months would be projects like the Moho Nord project, off West Africa. Some of the others that are close in, there's the IDD project, which we've talked about in the past. Negotiations continue between our clients and the Government of Indonesia. We've been asked if we would extend our bid, and we've agreed to do that, so that will likely manifest itself in an award within, let's say, the next six months. That might be a little farther out, but it is one of the larger ones.

Some of the other projects, there's sort of a range of projects that we have with the major pipeline companies in Western Canada. In one of the two cases we're covered under a frame agreement, so there's a series of relatively significant projects that will be awarded and are being awarded on a monthly basis.

Some of the other larger projects that we're focused on in the EMAR region would include the Shah Deniz Phase 2 project, which is nearing, I would say, the final negotiation stage. And the one other project is the South Caucasus project in the Caspian region. Those are both BP projects, and I would think it's—it would be likely that there'll be awards on one or both those, certainly within a six-month time frame.

One of the other projects that we've gone through PQTs on, a qualification that's quite complex because of the coating and then also because of the heat treatment that we're actually going to give to the steel pipe, is the South Stream project where we are qualified now, and that's moving to the final bidding stage. And if you've been following that in the press, Gazprom has approvals from all of the countries involved in that project, and decided to go to the EU last, and have been in discussions with Brussels on that project. So that's looking quite positive as well.

I think there is a good probability, let's say probability, that that will be awarded within the next six months, and it is a large project. So that gives you a little bit of flavour on some of the day-to-day projects and some of the larger projects that are likely to be awarded in that time frame.

Dana Benner

Thanks. The—clearly the dynamic for investors right now is calibrating when the backlog stops falling and then when it starts to accelerate. I noticed in your disclosure you talked about the probability for reacceleration of backlog in ‘014. Are we likely to see it in terms of the way you manage investor expectations? Are we likely to see it dip a little bit further in the coming two quarters before it reaccelerates? Would that be a reasonable way to calibrate this?

Bill Buckley

Yeah. I think that's exactly right. We would say you should expect perhaps a dip in the backlog in the first half of ‘14, and then strengthening in the second half of ‘14 to achieve the kind of growth numbers that we expect in ‘15.

Dana Benner

Right. Just two more questions. I recall about a year ago your belief was that you felt that $150 million to $160 million in Asia Pac was probably your headroom, and you'd be blowing the doors off the factory with activity to hit that, and here we are at 205. What does this tell us about ShawCor generally? Or that region in particular?

Gary Love

Well, I believe we are replacing the doors as we speak. It was an extraordinary quarter. It was a true testament to the exceptional efforts of the management and the employees in that region, and the work that they've done to operate those two facilities, the Kabil, Indonesia facility and the Kuantan, Malaysia facility, at levels of efficiency and performance that I think are beyond anything that we could have hoped for.

So they've accomplished, I think, an incredible feat to have executed the work that they've executed to date with the operational performance, and particularly as Bill alluded to earlier, the HSE performance has been exceptional. So yes it is, Dana, you're quite right. It's certainly beyond what we had thought was possible.

But I did say, and I know Bill has also echoed this point in the past, that those plants won't stop. If we were able to run the work and the pipe was available, we were going to do the coating. And that's precisely what's happened. The result is we've obviously pulled more of the work forward than we had expected would happen, but I think that's the right thing to do from an efficiency and from a profitability perspective. And that's precisely what they've done.

Dana Benner

Great. Just one final question. Recognizing that you've been looking hard at a variety of M&A opportunities, as evidenced by, I guess, the deployment of more specific resources in that area, I just wonder if you can maybe provide a bit more colour as to the range of options you might look at without—I'm sure you don't want to be specific, but any colour would be great.

Bill Buckley

Dana, we don't want to be specific about the particular companies or description of the companies, but I can tell you that the funnel is very active right now. And we're in discussions with a number of parties and the colour that I can give you is I would expect that we'll have some positive announcements in this regard within the next six months for certain.

Dana Benner

Okay. I'll turn it back. Thank you.

Operator

Your next question comes from the line of Sarah Hughes from Cormark Securities. Your line is open.

Sarah Hughes — Cormark Securities Inc.

Hi, guys. You had provided some colour in terms of what you think about revenue in 2014 to some degree, and I'm just trying to get an idea if you can give us some colour on potential margin performance, just given the strength we saw this year on the back of the large contracts?

Gary Love

Yeah. Sarah, the key element to margins is the transition of activity in Asia Pacific, and it is very evident, and I think we've been quite open on this point that the profitability in Asia Pacific this year has been very strong, both at a gross margin level and then in particular at an operating income or EBITDA level.

So we will have a transition, that's absolutely the case. Revenue will be coming down in Asia Pacific. We've indicated that in our press release and in our comments. And we will see increases of revenue in some of our other areas, but I think on a total company mix, product mix perspective, we will have some catching up to do. And so there will be some impact on gross margin. I think that's inescapable as the Asia Pacific revenue comes down because it is so incremental to our gross margin this year. I think beyond 2014, we see the potential for gross margins moving back into the 2013 levels. Again, it'll depend, obviously, on the projects that we book and the execution of those projects.

The other factor on gross margins, again, is we're going to be transitioning operationally. We will have personnel who we will be redeploying into other areas. So there will be some margin impacts as we go through that transition, probably in the early to mid-part of 2014. I think that's something that should be expected.

So the net result is, I think it will be difficult to match the margin levels that we have to date achieved in 2013, and will ultimately report for all of 2013, but as we move through the transition and then particularly as we start to move into 2015, I think the potential is there to meet and exceed our current levels.

Sarah Hughes

And then, Bill, what percentage of your bid book do you think would--this time, do you think would go into production in 2015?

Bill Buckley

Of the bid book, of the firm bid book, a very high percentage would be executed in ‘15.

Sarah Hughes

Okay. And so just so I heard you correctly. You think there is a potential, depending on, obviously, timing, but if things work out right that 2015 could be higher than 2013 on a profitability basis?

Bill Buckley

Yeah.

Gary Love

The potential exists.

Bill Buckley

The potential exists for that with what we're working on at the moment.

Sarah Hughes

And would most of that strength be coming from the EMAR region? Like is that going to be the big swing area for you to get there in 2015?

Bill Buckley

Well, I think that's correct, and more generally what we're going to see is the focus is not going to be in one area only in Asia Pacific, but it's going to be in EMAR, and it's also going to be in the Americas.

Sarah Hughes

And would you need an acquisition to be able to do that in 2015? Or do you think you could do that on the current business in the bid book?

Bill Buckley

Sarah, with the work we're bidding, it is possible for us to do it with strictly organic projects with no lift from acquisition. It is possible for that.

Sarah Hughes

Okay. Okay. That's it for me. Thank you.

Operator

Once again, if you would like to ask a question, please press *, then the number 1 on your telephone keypad.

And your next question comes from the line of Scott Treadwell from TD Securities. Your line is open.

Scott Treadwell — TD Securities Inc.

Thanks. Good morning, guys.

Bill Buckley

Good morning.

Scott Treadwell

Maybe turn to the other side a little bit there. The Petrochemical and Industrial group, nice sequential step up in margin. You made note in the MD&A about some G&A costs for relocating the Canusa facility. I'm not sure if you could disclose kind of what that G&A number might have been, but where do you think the margin sort of runs for that group going forward? Was it sort of peaky? Or is this kind of relatively sustainable going forward?

Gary Love

Well, the—the third quarter operating margin in the Petrochemical and Industrial segment was quite extraordinary at 18, 18.3 percent, and I think I also mentioned the EBITDA margin in that segment was 19.7 percent. And I don't think that segment's been at that level before. Maybe—

yeah, it probably was there back in 2011. We had one quarter, again, at that same level, 19.7, but what really benefited us in the third quarter was we had a reasonably significant project that involved some very high specification nuclear power cable, and we manufactured and shipped that out in the third quarter and it was high margin. It was very high margin work, and there will be more of that work in the future, particularly if OPG move forward with the refurbishment plan in Darlington, but it's not something that we should expect on a quarterly basis. It'll happen from time to time, but it's not something that's going to happen every quarter.

So that segment probably should be back in the 15-ish percent EBITDA margin level moving forward. That's where they've been over the last, say, year and a half.

Scott Treadwell

Okay. Perfect. I guess maybe to ask Dana's question a little more broadly. Given you've got sort of $900 million in the bid book; if you sort of just broke it down into a percentage on your best guess, first half, second half of 2014, how do you think that breaks down in terms of awards?

Gary Love

I don't know that I can even do that. It's—the challenge we've always had, and I think you know this, is that contract awards move around and they're—it's very, very difficult to predict. So any attempts to predict the timing of award of that work would be a pure guess on my part. It truly would be.

Scott Treadwell

Okay. But it's probably fair to say that it's weighted to the back half from sort of what you'd...

Gary Love

No, no. I think Bill in answer to the previous question, Bill did indicate that there's a chance, a probability that some of the larger projects in that total of 900 million could be awarded in the next, say, three quarters, so between now and the middle of 2014. We do see that as a distinct possibility. Can we guarantee it? No.

Scott Treadwell

Okay. One other question on the bid book, and again I'm not sure what level of detail you'd want to go into here. Of that bid book, roughly how much of that project amount the engineering solution has been decided on by the customer, i.e. if it's coated steel risers versus flexible risers? And how much of that there's still a decision about which way they're going go, in addition to who they're going to use?

Bill Buckley

Yeah. Perhaps I could answer that. On the firm bid book, typically we've gone through the alternatives with the client and we're now on the base and final case, and there's very little likelihood of the engineering configuration changing from rigids to flexibles at that stage. Those decisions were made earlier.

Scott Treadwell

Okay. Perfect. That's exactly want I wanted to hear. Turning to Flexpipe. Just wanted to maybe get an update. I know there's a long test for approval with the Alberta government. Roughly where are you in terms of being commercial with the large diameter variants in Flexpipe?

Bill Buckley

Yeah. We continue to make good progress there. Two weeks ago we did a cold weather installation and hydro test of the product north of Calgary which went very successfully. That also proved out the jointing system in outdoor conditions because I can tell you on that day it was quite cold.

So we are going to have the product out for limited commercial release early next year. And it will be going through its final trials, which are underway now, and as you know there's a 10,000 hour test, which takes some time to qualify in Alberta. Probably we'll see a commercial release as a result of all that in the United States before Canada, but that will be happening through next year. But progress is good.

Scott Treadwell

And on track with your sort of earlier plans?

Bill Buckley

Yes.

Scott Treadwell

Okay. Perfect. The last thing, and I guess it maybe touches on Gary's comments on margins. Given that the Asia Pac revenue base is coming down, obviously I'm not sure if guidance is the right adjective here or not, but is there a thought about do you shut down some of these facilities? You talked about moving some staff around. Is there any sort of one-time costs that at least at this point you kind of see coming? I get the sense you're thinking about the first half of next year. Any further colour there less about volume-related margins, but more about sort of one-time stuff?

Gary Love

Well, no. Certainly there won't be any shuttering of either of the two plants in Asia Pacific. Those two plants are going to be operating day in, day out for forever. What we're doing, though, is we're reducing the manning levels. And that will happen over time because it's not as if the work suddenly stops. It's more of a successive sort of pulling back of efforts.

And so when you're in a ramping-down mode there are some—there are times when there could be some impacts on margins, and so that was really what I was getting at in answering the previous question that as we go through the first half of 2014, we're still going to be finishing a lot of the work, but we're also going to be redeploying some of the personnel. And so that will have some margin impacts.

Scott Treadwell

Okay. My last one on EMAR. Dana again had mentioned that you had sort of thought Asia Pac was kind of $150 million a quarter, blowing the doors off. Is there an equivalent number for EMAR once the Socotherm plant is kind of up and running at full speed?

Gary Love

Yeah. That's a good question. I don't know that—of course we were wrong on the original estimates as it related to Asia Pacific, so chances are I'll hesitate to give you a firm number. Basically in the region we have significant capacity in a number of areas. Obviously Northern Europe we've got the two big plants, one in Norway, one in Scotland, and there's obviously a lot of capacity in those two facilities. There's easily a couple hundred million dollars per annum capacity in those two plants collectively.

We have our very important facility in the Middle East in the Emirates at Ras Al Khaimah. That facility, with some additional if we needed to add a little bit of capacity we could easily do that. That can be a very significant operation. And then, of course, we have the Socotherm Pozzallo facility, which has a range of capabilities that encompasses virtually all of what we do in oil and gas pipe coating: internal coating, external anti-corrosion coating, concrete weight coating, and of course our deepwater flow assurance insulation coating.

That plant can do all that work, and has lines that are capable of doing all that work. So we're not—I don't believe we're going to be capacity constrained in the region. I think we need to book some of the big orders, and then we're going to execute them in a range of facilities that we already have in place.

Scott Treadwell

Okay. Perfect. Knowing you're not capacity constrained is probably the best answer I could hope for. Thanks very much. I will turn it back, guys.

Operator

Once again, if you would like to ask a question, please press *, then the number 1 on your telephone keypad.

And your next question comes from the line of Dan MacDonald from RBC Capital Markets. Your line is open.

Dan MacDonald — RBC Capital Markets

Hi. Good morning guys.

Bill Buckley

Good morning.

Dan MacDonald

Just maybe trying to look at the margin question in a different way, and not to belabour the point, but how would you describe the margins that are in your backlog now in comparison to kind of what you've gone through at year-end '14? Is there a big difference between what was in that backlog for the larger projects versus what's in there now from a margin perspective?

Gary Love

No, within the backlog today, in the $646 million backlog, is representative of what we've done this year. Absolutely.

Dan MacDonald

Okay. And then just looking at Asia Pacific, kind of excluding the two big projects that you've been working on, how would you characterize the base business in that region? Is it kind of up from where it was before you started these large projects? Or has it been trending kind of flattish?

Gary Love

No, I would say it's definitely up, and I think the—probably the key change, and it's coincident, I guess, with the fact that we've been executing the big Australian LNG work, but what is happening in Asia Pacific is there is a deepwater insulation, pipe coating insulation market that's emerging as deepwater oil and gas development begins in that region.

And that's something new to the region. The region has not had deepwater oil and gas development to speak of in the past. So what we expect in the future is that a lot of the traditional work that we do in Southeast Asia, a lot of the gas transmission work in Malaysia, in Thailand, in Vietnam, and other areas, that'll all continue, but there's this emerging opportunity around deepwater development. And of course, what we bring to that is the highly specialized proprietary flow assurance insulation coating system. So we think that's going to be additive to what we've traditionally done in the region.

Dan MacDonald

Okay. And then just looking at Flexpipe again. How has the international opportunity been evolving for that product post the one big sale that you had earlier?

Bill Buckley

Two areas of focus, Latin America and Australia; maybe I'll start with Australia. We're very active in the Cooper Basin, with a major gas producer in that region. And we are, I think we commented before, the enabling technology for certain portions of that field. They just cannot get the welding crews, inspection crews, et cetera to the right-of-way. And our products, which allows them to roll it out in lengths of 1 kilometre to 2 kilometres and have a small crew put on a crimp fitting and then go another 1 or 2 kilometres to very remote well sites and test sites, are allowing them to execute.

So the business there has gone from one project or one program trial to now being adopted as the standard execution method, so that business is increasing. We're going to be adding staff. Flexpipe is adding support and sales staff in Australia to the base that already exists there. And of course, we're looking at over the next two or three years where we might manufacture in the Asia Pacific region.

Turning to Latin America. Business is being led at the moment by Venezuela. Working out the contractual arrangements to ensure payments, of course, is very important on that business, and we have accomplished that. Our product's being used, a special version of it, which uses our FlexCord technology. We have an anti-buoyant version that's being used on the wells in Lake Maracaibo, where the product just actually sinks to the lake floor, and operates in 20 to 30-foot water depths.

So that's a little bit of a product addition with an application in that country, and applications that we'll be able to execute on elsewhere in the world. So those are the two major areas, and in both cases the trend of business is up, is increasing.

Dan MacDonald

Can you give us a sense of how much international sales represented of Flexpipe's business in Q3?

Bill Buckley

Yeah. I could characterize it as still being small. Where most of our growth is coming from is the US market, and US growth is strong, the Canadian market is strong, and the international business is coming off a small base, but with a very high growth rate.

Gary Love

I think by next year, 2014, we should see very meaningful contribution from international sales; could be hitting as much as even 10 to 15 percent of our total composite pipe sales will come from outside of North America.

Dan MacDonald

Okay. Great. That's all I had. Thank you.

Operator

Your next question comes from the line of Dana Benner from AltaCorp Capital. Your line is open.

Dana Benner

Yeah. Thanks. Just wanted to follow up. I wonder if you, and maybe Steve's on the line, but wondered if you could maybe comment on the apprenticeship of Steve Orr.

Bill Buckley

Well, Steve Orr, as we announced, started with the Company in early September. Steve and I and others have been touring our various operations in Asia Pacific, Europe, Russia, and in the Americas, as well as working on establishing the strategic plan for the Company for the next three years and taking that to the Board.

So I would say Steve's been busy. And early in the New Year we would want to get him out to meet the investor community.

Dana Benner

Right. Does he look like a pipe coater at heart?

Bill Buckley

Well, the background on him, seriously, is he comes from a major—one of the leading energy services companies. He worked around the world in a variety of roles. He knows this space very well. He knows how to manage growth. He knows how to manage technology. He knows how to manage acquisitions. So he's a great addition to the team.

Dana Benner

I'm sure he is. Thank you.

Operator

We have no further questions at this time. I'll turn the call back over to the presenters.

Bill Buckley

Okay. Thank you, Kirk. I'd just like to take this opportunity to thank everyone for your participation in the call this quarter, and we look forward to giving you an update at the end of next quarter. Thank you.

Operator

This concludes today's conference call. You may now disconnect.

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