HORIZON NORTH

Logistics Inc

Annual Report 2011

This Management's Discussion and Analysis ("MD&A"), prepared as at February 22, 2012, focuses on key statistics from the Consolidated Financial Statements and pertains to known risks and uncertainties relating to the business carried on by Horizon North Logistics Inc. (the "Corporation" or "Horizon"). This discussion should not be considered all-inclusive, as it does not attempt to include changes that may occur in general economic, political and environmental conditions.

Annual Financial Summary

		Years ended December 31			
(000's except per share amounts)	2011	% change	2010	% change	2009[4]
Revenue	$ 402,993	68%	$ 239,258	60%	$ 149,839
EBITDAS[1]	102,636	96%	52,483	52%	34,527
EBITDAS as a % of revenue	25%	14%	22%	(4%)	23%
Operating earnings before impairment loss	70,794	174%	25,855	172%	9,496
Impairment loss	8,071	-	-	-	-
Operating earnings	62,723	143%	25,855	365%	5,563
Total profit before impairment loss	$ 52,893	222%	$ 16,430	195%	$ 5,563
Total profit after impairment loss	44,822	173%	16,430	195%	5,563
Total comprehensive income	44,980	174%	16,430	195%	5,563
Earnings per share before impairment loss – basic	$ 0.51	213%	$ 0.16	220%	$ 0.05
– diluted	0.49	206%	0.16	220%	0.05
Earnings per share after impairment loss – basic	0.42	163%	0.16	220%	0.05
– diluted	0.41	156%	0.16	220%	0.05
Total assets	$ 357,137	29%	$ 277,837	15%	$ 241,002
Long-term loans and borrowings	55,234	82%	30,363	(32%)	44,702
Funds from operations[2]	82,124	103%	40,419	33%	30,388
Capital spending	101,034	143%	41,561	198%	13,947
Debt to total capitalization ratio[3]	0.21	-	0.19		0.21

(1) EBITDAS (Earnings before interest, taxes, depreciation, amortization, impairment, gain/loss on equity investments, gain/loss on disposal of property, plant and equipment, and share based compensation) is not a recognized measure under IFRS. Management believes that in addition to total profit and total comprehensive income, EBITDAS is a useful supplemental measure as it provides an indication of the Corporation's ability to generate cash flow in order to fund working capital, service debt, pay current income taxes and fund capital programs, and it is regularly provided to and reviewed by the Chief Operating Decision Maker and operating earnings provides an indication of the results generated by the Corporation's principal business activities prior to consideration of how those activities are financed or taxed. Horizon's method of calculating EBITDAS may differ from other entities and accordingly, may not be comparable to measures used by other entities. EBITDAS should not be construed as alternatives to total profit and comprehensive income determined in accordance with IFRS as an indicator of the Corporation's performance.

(2) Funds from operations is not a recognized measure under IFRS. Management believes that in addition to cash flow from operations, funds from operations is a useful supplemental measure as it provides an indication of the cash flow generated by the Corporation's principal business activities prior to consideration of changes in working capital. Investors should be cautioned, however, that funds from operations should not be construed as an alternative to cash flow from operations determined in accordance with IFRS as an indicator of the Corporation's performance. Horizon's method of calculating funds from operations may differ from other entities and accordingly, funds from operations may not be comparable to measures used by other entities. Funds from operations is equal to cash flow from operations before changes in non-cash working capital items related to operations, interest and income taxes paid, financing costs, and income tax expense.

(3) Debt to total capitalization is calculated as the ratio of debt to total capitalization. Debt is defined as the sum of current and long-term portions of loans and borrowings. Total capitalization is calculated as the sum of debt and shareholders' equity.

(4) 2009 results are stated in accordance with Canadian generally accepted accounting principles.

Overview

2011 represents a very successful year of operations for Horizon. 2011 saw significant growth in the camp and catering operations, exiting the year with 6,200 rentable beds, an increase of 1,900 rentable beds during the year with the majority of those deployed in the Fort McMurray oil sands region of Alberta. Horizon's manufacturing facilities were highly utilized during the year, with continued execution of several large, oil sands based projects. Demand continues to be strong, especially from oil sands operators looking for beds to support their capital expansion plans, leading to consistency and repeatability with respect to camp manufacturing projects.

Horizon's matting division had its most successful year to date, with record mat sales figures and strong and continuing demand for rental matting as well as the ancillary services that support both sales and rental operations.

This operational success translated into record financial results for Horizon, with year over year growth in all significant financial measures. In addition, increased scale and improving operational efficiencies have translated to improved profitability.

Highlights

- Consolidated revenues increased 68% year over year:
    - Revenues from the Camps & Catering segment increased by 72% as compared to the prior year with increases in camp rental and catering operations as well as strong camp sales and associated installation and transportation revenues;
    - Revenues from the Matting segment increased by 83% as compared to the prior year driven by significant demand for mat sales throughout the year.

- Consolidated EBITDAS for the year improved significantly to $102.6 million or 25% of revenues as compared to $52.5 million or 22% of revenues in the prior year, an increase of 96% year over year:
    - EBITDAS from the Camps and Catering segment was $92.4 million or 27% of revenues as compared to $52.5 million or 24% of revenues in the prior year, a year over year increase of 96%;
    - EBITDAS from the Matting segment increased to $17.9 million or 26% of revenues as compared to $10.8 million or 29% of revenues in the prior year, a year over year increase of 66%.

Impairment

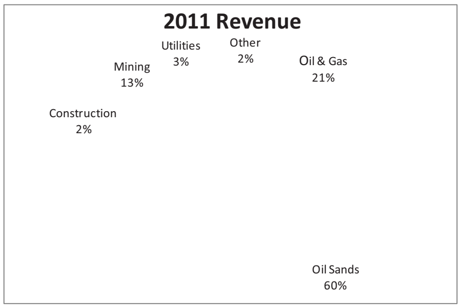
During the quarter ended December 31, 2011, the Corporation undertook its impairment review process. As part of this review, impairment indicators were noted relating to certain assets in the Corporation's Camps & Catering segment, and for certain equity accounted for investments. The majority of these assets were acquired in the formation of Horizon in 2006 and are related to the northern operations.

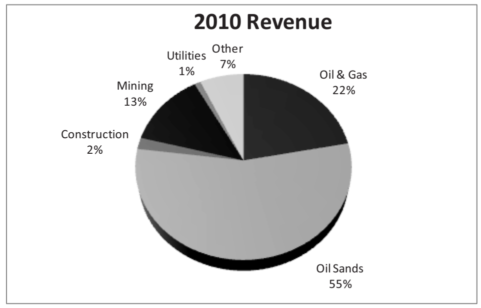
Three camp facilities located in the MacKenzie Delta region of the Northwest Territories and the equity investments had indicators of impairment as a result of generally slow business activity in Canada's Northern regions driven mainly by sustained low natural gas prices. An impairment of $6.0 million was recognized for the camp facilities and an impairment of $1.7 million recognized for the equity investments.

Certain intangible assets representing design and engineering costs related to the Corporation's blast resistant structures business were tested for impairment. Indicators of impairment were noted as a result of changes in the Corporation's view with respect to future growth prospects of this business, and a lack of sustainability of cash flows from existing assets. As a result an impairment loss of $0.4 million was recognized in the quarter.

Outlook

Horizon continues to see significant opportunities for growth and expansion over the next few years. Horizon's activities and revenue streams are highly leveraged to energy and resource development activities, with 60% of 2011 revenues generated from customers involved in oil sands projects in Alberta.





Oil sands development activities are expected to remain strong over the next few years, which in turn which will serve as the main driver for Horizon's expansion plans with the majority of our capital spending allocated to support oil sands development projects. Oil sands development also faces challenges over the next few years, being able to attract the required human resources for projects, and further in the future, having sufficient out loading capacity may impact the rate of development. Industry recognizes these issues and is currently working to address them.

Capital spending for 2012 is anticipated to be $100 million, with the primary focus on adding 1,500 beds to the camp and catering operation throughout the year primarily in the oil sands region of Alberta. Sustained and increasing activity levels should allow Horizon to fund the capital program primarily through operating cash flows while maintaining a strong and conservative statement of financial position.

Dividend Payment

Horizon North Logistic Inc. announced today that its Board of Directors has declared a dividend for the first quarter of 2012 at $0.05 per share. The dividend is payable to shareholders of record at the close of business on March 31, 2012 to be paid on April 13, 2012. The dividends are eligible dividends for Canadian tax purposes.

Annual Financial Results

Year ended December 31, 2011						
(000's except per share amounts)	Camps & Catering	Matting	Marine Services	Corporate	Inter-segment Eliminations	Total
Revenue	$ 340,027	$ 68,385	$ 4,101	$ -	$ (9,520)	$ 402,993
Expenses						
Direct costs	242,572	50,002	2,705	-	(9,442)	285,837
Selling & administrative	5,077	465	7	8,971	-	14,520
EBITDAS	92,378	17,918	1,389	(8,971)	(78)	102,636
Share based compensation	323	49	5	221	-	598
Depreciation & amortization	22,509	6,508	445	345	(84)	29,723
Impairment loss	8,071	-	-	-	-	8,071
Loss on disposal of property, plant and equipment	1,426	95	-	-	-	1,521
Operating earnings (loss)	$ 60,049	$ 11,266	$ 939	$ (9,537)	$ 6	$ 62,723
Finance costs						2,467
Loss on equity investments						27
Income tax expense						15,407
Other comprehensive income						(158)
Total comprehensive income						$ 44,980
Earnings per share before impairment loss – basic						$ 0.51
– diluted						0.49
Earnings per share after impairment loss – basic						$ 0.42
– diluted						0.41

Year ended December 31, 2010						
(000's except per share amounts)	Camps & Catering	Matting	Marine Services	Corporate	Inter-segment Eliminations	Total
Revenue	$ 197,958	$ 37,365	$ 6,718	$ -	$ (2,783)	$ 239,258
Expenses						
Direct costs	147,828	26,095	4,276	10	(2,687)	175,522
Selling & administrative	2,954	460	7	7,832	-	11,253
EBITDAS	47,176	10,810	2,435	(7,842)	(96)	52,483
Share based compensation	578	98	9	422	-	1,107
Depreciation & amortization	18,237	5,509	1,187	322	(77)	25,178
Loss on disposal of property, plant and equipment	252	79	-	12	-	343
Operating earnings (loss)	$ 28,109	$ 5,124	$ 1,239	$ (8,598)	$ (19)	$ 25,855
Finance costs						1,910
Loss on equity investments						212
Income tax expense						7,303
Total comprehensive income						$ 16,430
Earnings per share – basic & diluted						$ 0.16

Camps & Catering

Camps & Catering revenue is comprised of camp rental and catering revenue, camp and space unit sales, space rental revenue and service revenue from transportation and installation.

	Years ended December 31		
(000's except bed rental days and catering only days)	2011	2010	% change
Camp rental and catering revenue	$ 172,526	$ 105,785	63%
Camp and space unit sales revenue	90,438	57,395	58%
Space rental revenues	5,299	4,089	30%
Service revenue	71,764	30,689	134%
Total revenue	$ 340,027	$ 197,958	72%
EBITDAS	$ 92,378	$ 47,176	96%
Operating earnings	$ 60,049	$ 28,109	114%
Bed rental days(1)	843,350	499,762	69%
Catering only days(2)	249,293	168,585	48%

(1) One bed rental day equals the rental of one bed and the provision of related catering and housekeeping services for one day.

(2) One catering only day equals the provision of catering and housekeeping services with no related bed rental for one day.

The Camps & Catering segment saw a significant increase in revenue and EBITDAS for the year ended December 31, 2011 as compared to the year ended 2010. Since mid 2010 oil has sustained pricing levels sufficient to support favourable oil sands project economics resulting in robust capital investment by oil sands operators to expand current facilities and to undertake other prospects. The increasing activity in oil sands projects generally translates into higher manpower requirements as projects progress from planning to execution and as a result the requirement for housing and catering solutions increase. Because Camps & Catering is closely tied to oil sands activity the higher revenue and EBITDAS in Camps & Catering were driven from increased volumes in the rental and catering operations and camp sales. For the year ended December 31, 2011, 63% of the Camps & Catering segment's revenues were derived from oil sands related activity as compared to 61% in the same period of 2010.

Revenues from the Camps & Catering segment were $340.0 million for the year ended December 31, 2011 compared to $198.0 million for the year ended December 31, 2010, an increase of $142.0 million or 72%. EBITDAS from operations for the year ended December 31, 2011 were $92.4 million or 27% of revenue compared to $47.2 million or 24% of revenue for the year ended December 31, 2010, an increase of $45.2 million or 96%.

Camp rental and catering revenue

Revenues from camp rental and catering operations were $172.5 million for the year ended December 31, 2011 compared to $105.8 million for the year ended December 31, 2010, an increase of $66.7 million or 63%. Revenues are derived from the following main business areas: large camp operations, drill camp operations, catering only operations, and ancillary equipment rentals. The table below outlines the key performance metrics used by management to measure performance in the large camp and drill camp operations.

	Years ended December 31					
(000's for revenue only)	2011			2010		
	Large camp	Drill camp	Total	Large camp	Drill camp	Total
Revenue	$134,377	$10,047	$144,424	$76,753	$4,908	$81,661
Bed rental days	782,900	60,450	843,350	468,517	31,245	499,762
Revenue per bed rental day	$172	$166	$171	$164	$157	$163
Number of rentable beds at period end	4,850	950	5,800	3,060	1000	4,060
Average rentable beds available(1)	3,813	987	4,800	2,666	1,000	3,666
Utilization(2)	56%	17%	48%	48%	9%	37%

(1) Average rentable beds available is equal to total average beds in the fleet over the period less beds required for staff.

(2) Utilization equals the total number of bed rental days divided by average rentable beds available times days in the year.

Revenues from large camp operations for the year ended December 31, 2011 increased by $57.7 million or 75% as compared to the same period in 2010. The increased revenues from large camps are reflective of the higher levels of activity and strong market conditions in the oil sands and oil and gas sectors to which Horizon is highly leveraged, resulting in increased bed rental days of 314,383 or 67% for the year ended December 31, 2011 as compared to the same period in 2010. In addition to the higher volumes, revenue per bed rental day increased by $8 in 2011 as compared to 2010. Ongoing investment throughout 2011 meant available bed capacity increased to 4,850 beds at the end of 2011 with 3,650 of the beds deployed in the oilsands. This compared to a fleet of 3,060 beds at the end of 2010.

Revenues from drill camp operations for the year ended December 31, 2011 increased by $5.1 million or 105% as compared to the same period of 2010. The drill camp operations are highly dependent on the level of drilling activity in Western Canada and the Canadian Association of Oilwell Drilling Contractors (CAODC) reported average rig utilization in Western Canada for the year ended December 31, 2011 at 52% as compared to 41% in the same period of 2010. The increased activity is reflected in higher volumes and stronger utilization for the year ended December 31, 2011 as compared to the same period of 2010. In addition to the higher volumes, revenue per bed rental day increased by $9 as a result of the current strong market conditions.

The tables below outline the key performance metrics used by management to measure performance in the catering only and equipment rental operations.

	Years ended December 31	
(000's for revenue only)	2011	2010
Catering only revenue	$ 23,170	$ 19,501
Catering only days(1)	249,293	168,585
Revenue per catering only day	$93	$116

(1) One catering only day equals the provision of catering and housekeeping services with no related bed rental for one day.

	Years ended December 31	
(000's)	2011	2010
Equipment rental	$ 4,932	$ 4,623

Revenues from the provision of catering and housekeeping only services, with no associated bed rentals, for the year ended December 31, 2011 increased $3.7 million or 19%. The increase is due to the higher volume of catering days mainly in catering for customer owned drill camps. Similar to the drill camp operations business, the catering for customer owned drill camps closely follows the activity levels of the drilling industry and the high levels of activity resulted in 80,708 or 48% more catering days for the year ended December 31, 2011 as compared to the same period of 2010. The revenue per catering day is a combination of the catering rate and add on services, year over year the catering rate remained relatively unchanged while add on services in 2010 such as on site equipment maintenance personnel and material shipping drove the majority of the $23 difference in revenue per catering only day.

Matting

Matting revenue is comprised of mat rental revenue, mat sales revenue, installation, transportation, service, and other revenue as follows:

	Years ended December 31		
(000's except mat rental days and numbers of mats)	2011	2010	% change
Access mat rental revenue[(1)]	$ 6,790	$ 5,442	25%
Other mat and rental equipment revenue[(2)]	2,363	949	149%
Total mat and equipment rental revenue	$ 9,153	$ 6,391	43%
Mat sales revenue	33,403	13,877	141%
Installation, transportation, service, and other revenue	25,829	17,097	51%
Total revenue	$ 68,385	$ 37,365	83%
EBITDAS	$ 17,918	$ 10,810	66%
Operating earnings	$ 11,266	$ 5,124	120%
Access mat rental days[(3)]	2,593,435	2,887,624	(10%)
Average access mats in rental fleet	9,152	12,771	(28%)
Access mats in rental fleet at year end	9,739	8,902	9%
Mat sold:			
New mats	41,022	11,851	246%
Used Mats	3,590	11,680	(69%)
Total mats sold	44,612	23,531	90%

(1) Access mat rental revenue includes revenues generated from the rental of traditional oak and oak edged mats.
(2) Other mat rental equipment revenue includes the rental of quad mats, rig mats other ancillary equipment such as well site accommodation units, garbage receptacles and light towers.
(3) One mat rental day equals the rental of one access mat for one day.

The Matting segment had significant revenue growth for the year ended December 31, 2011 as compared to the same period of 2010. High levels of oil sands development have increased the amount of drilling, particularly large multi well pads which are in place for extended periods of time. The duration and size of these drilling projects have changed customers' economics often favouring the purchase of mats instead of renting. These economics impacted how Matting generated its revenues and EBITDAS in 2011 as compared to the same period of 2010.

Matting revenues for the year ended December 31, 2011 were $68.4 million as compared to $37.4 million for the same period of 2010, an increase of $31 million or 83%. EBITDAS for the year ended December 31, 2011 were $17.9 million or 26% of revenue as compared to $10.8 million or 29% of revenue for the same period of 2010, an increase of $7.1 million or 66%.

Total mat and equipment rental revenue

Total mat and equipment rental revenues for the year ended December 31, 2011 were $9.2 million as compared to $6.4 million for the same period of 2010, an increase of $2.8 million or 43%. The increase in total rental revenues was driven primarily by the robust market conditions in 2011 reflected in stronger mat rental rates. The revenue per mat rental day was $2.62 for the year ended December 31, 2011 as compared to $1.88 in the same period of 2010. In addition to the stronger rates, the introduction of other rental equipment such as light towers and wellsite offices helped to boost other mat and equipment rental revenue.

The decline in mat rental days year over year was mainly due to the reduced average fleet size in 2011, a result of used mat sales at the end of 2010 and early in 2011. Mat production, sales and the rental fleet size are continually reviewed by management to ensure an appropriate balance is maintained in order to meet market conditions and management has taken a measured approach to replenishing the rental fleet in 2011.

Mat sales revenue

Revenues from mat sales for the year ended December 31, 2011 were higher by $19.5 million or 141% as compared to the same period of 2010. New mat sales increased by 29,171 or 246% in the year ended December 31, 2011 as compared to the same period in 2010. The majority of the sales were to oil sands operators for their large multi well drilling projects.

Revenue per mat sold during the year ended December 31, 2011 was $749, up from $590 in the same period of 2010. The higher revenue per mat is reflective of the mix of new and used mats sold, as new mats have a higher selling price than used mats.

Installation, transportation, service, and other revenue

Installation, transportation, service, and other revenues are driven primarily from the level of activity in the mat rental and mat sale businesses and are charged for separately from rentals and sales. Revenues for the year ended December 31, 2011 were higher by $8.7 million or 51% as compared to the same period in 2010, generally the installation, transportation and service and charged for separately from rental and sales. The increase is reflective of the higher volume of mat and equipment rentals and mat sales.

Direct costs

Direct costs for the year ended December 31, 2011 were $50.0 million or 73% of revenue as compared to $26.1 million or 70% of revenue for the same period of 2010. Direct costs are driven by the level of business activity and with the significant increase in revenue, as compared to the same period of 2010, overall direct costs have increased accordingly. Direct costs, as a percentage of revenue, increased by 3% for the year ended December 31, 2011 as compared to the same period of 2010. The increase is primarily a result of the significant shift in mix of revenue year over year with new and used mat sales comprising 49% of total revenue in 2011 compared to 37% in 2010.

Marine Services

Marine Services revenue is comprised of barge camp revenue and rental and other revenue as follows:

	Years ended December 31		
(000's)	2011	2010	% change
Barge camp rental revenue	$ 2,937	$ 2,532	16%
Rental and other revenue	1,164	4,186	(72%)
Total revenue	$ 4,101	$ 6,718	(39%)
EBITDAS	$ 1,389	$ 2,435	(43%)
Operating earnings	$ 939	$ 1,239	(24%)

Revenues from the Marine Services segment for the year ended December 31, 2011 were $4.1 million as compared to $6.7 million in the same period of 2010, a decrease of $2.6 million or 39%. The decrease was primarily due to lower levels of activity in the year ended December 31, 2011 as compared to the same period of 2010. In 2010 there was significant activity related to the refurbishment and mobilization of an offshore drilling vessel.

EBITDAS for the year ended December 31, 2011 was $1.4 million or 34% of revenue as compared to $2.4 million or 36% of revenue for the same period of 2010. The decrease in EBITDAS was due to the overall lower activity.

Corporate

Corporate costs are the costs of the head office which include the President and Chief Executive Officer, Chief Financial Officer, Vice President of Health, Safety, and Environment, Vice President of Aboriginal Relations, Corporate Secretary, corporate accounting staff, and associated costs of supporting a public company. Corporate costs for the year ended December 31, 2011 were $9.0 million as compared to $7.8 million in the same period in 2010. This increase of $1.2 million reflects increased costs to support the higher level of business activity. Corporate costs, as a percentage of total revenue, decreased to 2.2% for the year ended December 31, 2011, as compared to 3.3% in the same period of 2010.

Fourth Quarter Financial Results

	Three months ended December 31, 2011					
(000's)	Camps & Catering	Matting	Marine Services	Corporate	Inter-segment Eliminations	Total
Revenue	$ 93,936	$ 20,797	$ 740	$ -	$ (4,544)	$ 110,929
Expenses						
Direct costs	66,284	15,970	464	1	(4,595)	78,124
Selling & administrative	960	146	-	2,330	-	3,436
EBITDAS	26,692	4,681	276	(2,331)	51	29,369
Share based payments	78	16	1	51	-	146
Depreciation & amortization	5,889	1,863	110	85	(24)	7,923
Impairment loss	8,071	-	-	-	-	8,071
Loss on disposal of property, plant and equipment	1,364	-	-	-	-	1,364
Operating earnings (loss)	$ 11,290	$ 2,802	$ 165	$ (2,467)	$ 75	$ 11,865
Finance costs						637
Gain on equity investments						(12)
Income tax expense						2,631
Other comprehensive loss						72
Total comprehensive income						$ 8,537
Earnings per share before impairment loss – basic						$ 0.16
– diluted						$ 0.15
Earnings per share after impairment loss – basic						$ 0.08
– diluted						$ 0.08

	Three months ended December 31, 2010					
(000's)	Camps & Catering	Matting	Marine Services	Corporate	Inter-segment Eliminations	Total
Revenue	$ 70,697	$ 13,891	$ 1,135	$ -	$ (703)	$ 85,020
Expenses						
Direct costs	53,270	9,962	689	3	(702)	63,222
Selling & administrative	680	130	-	2,107	-	2,917
EBITDAS	16,747	3,799	446	(2,110)	(1)	18,881
Share based payments	138	23	3	97	-	261
Depreciation & amortization	4,721	1,431	298	32	(21)	6,461
Loss on disposal of property, plant and equipment	33	3	-	-	-	36
Operating earnings (loss)	$ 11,855	$ 2,342	$ 145	$ (2,239)	$ 20	$ 12,123
Finance costs						617
Loss on equity investments						8
Income tax expense						3,347
Total comprehensive income						$ 8,151
Earnings per share – basic & diluted						$ 0.08

Camps & Catering

Camps & Catering revenue is comprised of camp rental and catering revenue, camp and space unit sales, space rental revenue and service revenue from transportation and installation.

	Three months ended December 31		
(000's except bed rental days and catering only days)	2011	2010	% change
Camp rental and catering revenue	$ 48,315	$ 33,115	46%
Camp and space unit sales revenue	24,830	23,265	7%
Space rental revenues	1,374	956	44%
Service revenue	19,417	13,361	45%
Total revenue	$ 93,936	$ 70,697	33%
EBITDAS	$ 26,692	$ 16,747	59%
Operating earnings	$ 11,290	$ 11,855	(5%)
Bed rental days(1)	220,678	145,119	52%
Catering only days(2)	78,958	59,233	33%

(1) One bed rental day equals the rental of one bed and the provision of related catering and housekeeping services for one day.

(2) One catering only day equals the provision of catering and housekeeping services with no related bed rental for one day.

The three months ended December 31, 2011 had continued strong performance as compared to the same period of 2010. Revenue and EBITDAS growth in the comparative periods were a result of the ongoing robust investment in oil sands expansion and development projects and strong market conditions. Horizon's revenues are closely tied to oil sands activity levels and this is reflected in both bed rental volumes and in the service volumes. The majority of Horizon's capital investment in 2010 and 2011 was directed towards meeting the oil sands demand by increasing the rentable beds to 4,850 at December 31, 2011 compared to 3,060 in the same period of 2010. For the three months ended December 31, 2011, 63% of the Camps & Catering segment's revenues were derived from oil sands related activity as compared to 61% in the same period of 2010.

Revenues from the Camps & Catering segment were $93.9 million for the three months ended December 31, 2011 compared to $70.7 million for the three months ended December 31, 2010, an increase of $23.2 million or 33%. EBITDAS from operations for the three months ended December 31, 2011 were $26.7 million or 28% of revenue compared to $16.7 million or 24% of revenue for the three months ended December 31, 2010, an increase of $10.0 million or 59%.

Camp rental and catering revenue

Revenues from camp rental and catering operations were $48.3 million for the three months ended December 31, 2011 compared to $33.1 million for the three months ended December 31, 2010, an increase of $15.2 million or 46%. Revenues are derived from the following main business areas: large camp operations, drill camp operations, catering only operations, and ancillary equipment rentals. The table below outlines the key performance metrics used by management to measure performance in the large camp and drill camp operations.

(000's for revenue only)	2011 Large camp	2011 Drill camp	2011 Total	2010 Large camp	2010 Drill camp	2010 Total
Revenue	$36,209	$3,389	$39,598	$22,737	$1,277	$24,014
Bed rental days	200,421	20,257	220,678	136,883	8,236	145,119
Revenue per bed rental day	$181	$167	$179	$166	$155	$165
Number of rentable beds at period end	4,850	950	5,800	3,060	1000	4,060
Average rentable beds available(1)	4,506	950	5,456	2,741	1,000	3,741
Utilization(2)	48%	23%	44%	54%	9%	42%

Three months ended December 31

(1) Average rentable beds available beds is equal to total average beds in the fleet over the period less beds required for staff.
(2) Utilization equals the total number of bed rental days divided by average rentable beds available s times days in the quarter.

Revenues from large camp operations for the three months ended December 31, 2011 increased by $13.5 million or 59% as compared to the same period in 2010. The growth of revenues from large camps over the comparative period are a result of the continued strong industry conditions and high activity levels in the oil sands and oil and gas sectors which drove both high volumes and stronger revenue per bed rental day. The higher demand from oil sands operators is reflected in 200,421 bed rental days for the quarter ended December 31, 2011 as compared to 136,883 in the same period in 2010, an increase of 63,358 or 46%. In the fourth quarter of 2011 approximately 730 new beds were deployed over various projects which ramped up operations throughout the quarter. Timing of the bed deployment in the fourth quarter of 2011 meant the utilization temporarily dipped to 48% as compared to 54% in the same period of 2010. Utilization in the first quarter of 2012 is expected to improve as the camps achieve steady state operations. Rentable beds at the end of the three months ended December 31, 2011 were 4,850 as compared to 3,060 for the same period in 2010, reflecting the ongoing investment in the rental fleet. The higher demand and current strong market conditions helped revenue per bed rental day increased by $15.

Revenues from drill camp operations for the three months ended December 31, 2011 increased by $2.1 million or 165% as compared to the same period of 2010. These revenues are driven mainly from the level of drilling activity in Western Canada which has increased significantly in the three months ended December 31, 2011 as compared to the same period of 2010. The Canadian Association of Oilwell Drilling Contractors (CAODC) reported average rig utilization in Western Canada for the three months ended December 31, 2011 at 60% as compared to 50% in the same period of 2010. The 10% increase is reflected in higher volumes and stronger utilization for the three months ended December 31, 2011 as compared to the same period of 2010. In addition to the higher volumes, revenue per bed rental day increased by $12 per day. The increase in rate is due to strong current market conditions and additional equipment and services requested by the customer once the camp is operational.

The tables below outline the key performance metrics used by management to measure performance in the catering only and equipment rental operations.

(000's for revenue only)	Three months ended December 31 2011	2010
Catering only revenue	$ 7,400	$ 7,289
Catering only days(1)	78,958	59,233
Revenue per catering only day	$94	$123

(1) One catering only day equals the provision of catering and housekeeping services with no related bed rental for one day.

(000's)	Three months ended December 31 2011	2010
Equipment rental	$ 1,317	$ 1,812

Revenues from the provision of catering and housekeeping only services, with no associated bed rentals, remained relatively consistent in the comparative years. The revenue per catering day is a combination of the catering rate and add on services and in the fourth quarter of 2010 the rate included a significant amount of add on services, such as on site equipment maintenance personnel and material handling and shipping, which did not occur in 2011.

Camp and space unit sales revenue

Camp and space unit sales revenues for the three months ended December 31, 2011 were $24.8 million as compared to $23.3 million for the same period in 2010, an increase of $1.5 million or 7%. Production remained relatively consistent relating to the same large camp construction project in both quarters. The allocation of production capacity between external sales and internal fleet requirements were 60% external and 40% internal in the fourth quarter of 2011. The allocation of production capacity is reviewed by management on an ongoing basis.

Space rental revenues

Space rental revenues for the three months ended December 31, 2011 were $1.4 million as compared to $1.0 million for the same period in 2010, an increase of $0.4 million or 44%. The increase came from slightly higher volumes with fleet utilization for the three months ended December 31, 2011 at 87% compared to 81% for the same period in 2010.

Service revenue

Revenues from camp mobilization, demobilization, transportation and installation for the three months ended December 31, 2011 were $19.4 million as compared to $13.4 million in the same period of 2010, an increase of $6.0 million or 45%. Of these revenues 67% are driven from the camp and space sales with the remaining 33% from the camp rental and catering operations. The increase in revenues are driven by higher activity levels in both the sales and rental business. The higher revenue for the three months ended December 31, 2011 is mainly attributable to an increased level of installation activity for a large manufacturing project in the Fort McMurray, Alberta area. During the same period of 2010, the installation work on this project had only just been initiated. The three months ended December 31, 2011 had several additional camp installation projects as compared to the same period of 2010.

Direct costs

Direct costs for the three months ended December 31, 2011 were $66.3 million or 71% of revenue as compared to $53.3 million or 75% of revenue for the same period of 2010. Direct costs are closely related to business volu2.1(ne4v6 wim(T)-n .5(f)-1.5(mp in72411,)15(r

Matting

Matting revenue is comprised of mat rental revenue, mat sales revenue, installation, transportation, service, and other revenue as follows:

(000's except mat rental days and numbers of mats)	Three months ended December 31 2011	2010	% change
Access mat rental revenue(1)	$ 1,842	$ 1,248	48%
Other mat and rental equipment revenue(2)	465	282	65%
Total mat and equipment rental revenue	$ 2,307	$ 1,530	51%
Mat sales revenue	10,694	7,241	48%
Installation, transportation, service, and other revenue	7,796	5,120	52%
Total revenue	$ 20,797	$ 13,891	50%
EBITDAS	$ 4,681	$ 3,799	23%
Operating earnings	$ 2,802	$ 2,342	20%
Access mat rental days(3)	619,727	520,090	19%
Average access mats in rental fleet	9,860	11,735	(19%)
Access mats in rental fleet at quarter end	9,789	8,902	10%
Mat sold:			
New mats	13,557	6,874	97%
Used Mats	437	5,256	(92%)
Total mats sold	13,994	12,130	15%

(1) Access mat rental revenue includes revenues generated from the rental of traditional oak and oak edged mats.
(2) Other mat rental equipment revenue includes the rental of quad mats, rig mats other ancillary equipment such as well site accommodation units, garbage receptacles and light towers.
(3) One mat rental day equals the rental of one access mat for one day.

Revenues from the Matting segment for the three months ended December 31, 2011 were $20.8 million as compared to $13.9 million for the same period of 2010, an increase of $6.9 million or 50%. EBITDAS for the three months ended December 31, 2011 were $4.7 million or 23% of revenue as compared to $3.8 million or 27% of revenue for the same period of 2010, an increase of $0.9 million or 23%.

Mat and equipment rental revenue

Total mat and equipment rental revenues for the three months ended December 31, 2011 were $2.3 million as compared to $1.5 million for the same period of 2010, an increase of $0.8 million or 51%. The growth in rental revenue was mainly driven by the increase in mat rental days and higher revenues per mat rental day. In the three months ended December 31, 2011 continued warm weather in the Fort McMurray, Alberta area caused operators to rent additional mats in order to continue operating in the soft ground conditions. As a result, mat rental days increased by 99,637 or 19% in the three months ended December 31, 2011 as compared to the same period in 2010. Stronger market conditions also helped boost access mat rental rates with revenue per rental day of $2.97 in the three months ended December 31, 2011 as compared to $2.40 in the same period 2010. The average rental mat fleet decreased by 1,875 mats for the three months ended December 31, 2011 as compared to the same period of 2010. Mat production, sales and the rental fleet size are continually reviewed by management to ensure an appropriate balance is maintained in order to meet market conditions and management has taken a measured approach to replenishing the rental fleet in 2011.

In addition to the stronger rates, the introduction of other rental equipment such as light towers and well site offices helped to boost other mat and equipment rental revenue.

Mat sales revenue

Revenues from mat sales for the three months ended December 31, 2011 were higher by $3.5 million or 48% as compared the same period of 2010. The majority of the increase came from new mat sales where customers purchased them for large longer duration multi well drilling projects. Revenue per mat sold during the fourth quarter of 2011 was $764, up from $597 in the same period of 2010. The higher revenue per mat is reflective of the mix of new and used mats sold, as new mats have a higher selling price than used mats.

Installation, transportation, service, and other revenue

Installation, transportation, service, and other revenues are driven primarily from the level of activity in the mat rental and mat sale businesses and are charged for separately from rentals and sales. Revenues for the three months ended December 31, 2011 were higher by $2.7 million or 52% as compared to the same period in 2010. The increase is reflective of the higher volume of rentals and mat sales.

Direct costs

Direct costs for the three months ended December 31, 2011 were $16.0 million or 77% of revenue as compared to $10.0 million or 72% of revenue for the same period of 2010. Direct costs are driven by the level of business activity, with the significant increase in revenue, as compared to the same period of 2010, direct costs have increased accordingly. Direct costs as a percentage of revenue increased by 5% for the three months ended December 31, 2011 as compared the same period of 2010. This increase of direct cost, as a percentage of revenue, is mainly driven from the mix of the revenue as compared to the same period of 2010. A significantly higher proportion of revenue was generated from mat sales which have higher costs than rentals.

Marine Services

Marine Services revenue is comprised of barge camp revenue and rental and other revenue as follows:

	Three months ended December 31		
(000's)	2011	2010	% change
Barge camp revenue	$ 730	$ 839	(13%)
Rental and other revenue	10	296	(97%)
Total revenue	$ 740	$ 1,135	(35%)
EBITDAS	$ 276	$ 446	(38%)
Operating earnings	$ 165	$ 145	14%

Revenues from the Marine Services segment for the three months ended December 31, 2011 were $0.7 million as compared to $1.1 million in the same period of 2010, a decrease of $0.4 million or 35%. The decrease was primarily due to lower levels of activity in the three months ended December 31, 2011 as compared to the same period of 2010

EBITDAS for the three months ended December 31, 2011 was $0.3 million or 37% of revenue as compared to $0.4 million or 39% of revenue for the same period of 2010. The decrease in EBITDAS was due to the overall lower activity.

Corporate

Corporate costs are the costs of the head office which include the President and Chief Executive Officer, Chief Financial Officer, Vice President of Health, Safety, and Environment, Vice President of Aboriginal Relations, Corporate Secretary, corporate accounting staff, and associated costs of supporting a public company. Corporate costs for the three months ended December 31, 2011 were $2.3 million as compared to $2.1 million in the same period in 2010. This increase of $0.2 million reflects the increased cost to support the higher level of business activity. Corporate costs, as a percentage of total revenue, remained consistent for the comparative periods at 2.0%.

Other Items

Impairment

During the quarter ended December 31, 2011, the Corporation undertook its impairment review process. As part of this review, impairment indicators were noted relating to certain assets in the Corporation's Camps & Catering segment, and for certain equity accounted for investments. The majority of these assets were acquired in the formation of Horizon North Logistics in 2006 and are related to the northern operations.

Three camp facilities located in the MacKenzie Delta region of the Northwest Territories and the equity investments had indicators of impairment as a result of generally slow business activity in Canada's Northern regions driven mainly by sustained low natural gas prices. An impairment of $6.0 million was recognized for the camp facilities and an impairment of $1.7 million recognized for the equity investments.

Certain intangible assets representing design and engineering costs related to the Corporation's blast resistant structures business were tested for impairment. Indicators of impairment were noted as a result of changes in the Corporation's view with respect to future growth prospects of this business, and a lack of sustainability of cash flows from existing assets. As a result an impairment loss of $0.4 million was recognized in the quarter.

Depreciation and amortization

Depreciation and amortization costs for the year ended December 31, 2011 were $29.7 million as compared to $25.2 million in the same period of 2010. The increase was mainly from depreciation which increased from $16.6 million to $21.4 million or 29% as a result of net additions of $91.4 million in depreciable assets during the year. Amortization of intangibles remained relatively unchanged year over year at $8.3 million in 2011 compared to $8.5 million in 2010.

Financing costs

Financing costs on loans and borrowings for the year ended December 31, 2011 were $2.5 million as compared to $1.9 million in the same period of 2010. The increase of $0.6 million was a result of a higher weighted average debt held and an increase in accretion of notes payable. For the year ended December 31, 2011 the weighted average debt was $39.3 million compared to $32.8 million in the same period of 2010.

Income taxes

Income tax expense was $15.4 million, an effective tax rate of 26%, for the year ended December 31, 2011 as compared to a tax expense of $7.3 million, an effective rate of 31% for the same period of 2010. The effective tax rate decreased due to a 1.5% decrease in federal tax rates from 2010 to 2011 as well as the change in estimated timing of realization of temporary differences.

Selling and administrative

Selling and administrative expense was $14.5 million for the year ended December 31, 2011 as compared to $11.3 million in the same period of 2010. The increase is reflective of the higher levels of business activity in 2011 as compared to 2010. However, as a percentage of revenue selling and administrative expense declined to 3.6% of revenue in 2011 as compared to 4.7% in 2010.

Share repurchase

The Corporation was granted approval from the Toronto Stock Exchange for a Normal Course Issuer Bid to repurchase up to a maximum of 6,985,634 common shares of the Corporation over the period from September 14, 2010 to September 13, 2011. No shares were repurchased during the time period provided under the program.

Capital reduction

At the May 5, 2011 Annual and Special Meeting of Shareholders, a reduction of capital was approved by way of a special resolution which eliminated the deficit of $78.0 million as at January 1, 2011 against share capital. Elimination of the deficit simplifies the Corporation's statement of financial position and provides a more representative view of the actual accumulated operating results, as the majority of the deficit had been attributable to the write-down of goodwill in the year ended December 31, 2008.

Liquidity and Capital Resources

The Corporation's working capital position and borrowing capacity are set out below:

(000's)	December 31, 2011	December 31, 2010
Current assets	$ 102,799	$ 74,682
Current liabilities excluding loans and borrowings[(1)]	59,814	34,761
Current portion of loans and borrowings	1,281	11,773
Current liabilities	61,095	46,534
Working capital[(2)]	$ 41,704	$ 28,148
Bank borrowing:		
Committed credit facility	$ 49,524	$ -
Operating lines of credit	-	10,200
Senior secured revolving term facility	-	24,300
Total bank borrowings	49,524	34,500
Available bank lines	80,000	60,000
Borrowing capacity[(3)]	$ 30,476	$ 25,500

(1) Calculated as the sum of trade and other payables, income taxes payable, and deferred revenue.
(2) Calculated as current assets less current liabilities.
(3) Calculated as available bank lines less total bank borrowing.

Working capital at December 31, 2011 was $41.7 million as compared to $28.1 million at December 31, 2010. The increase of $13.6 million in working capital is primarily due to the significantly higher levels of business activity in 2011 generating an increased accounts receivable as compared to the same period in 2010.

Effective June 30, 2011 the Corporation put in place an $80 million three year committed credit facility with a maturity date of June 30, 2014, extendable annually at the Corporation's request. The new facility includes a $35 million accordion feature available upon request by the Corporation and subject to review and approval by the lenders, secured by a $150 million first ranking security interest in all of the present and future undertakings, property, and assets of the Corporation and its wholly owned subsidiaries. Interest is payable at the bank prime rate plus 1.00% which equates to an overall rate of 4.00% at December 31, 2011. At December 31, 2011 the Corporation had borrowed $35,000,000 on a banker's acceptance basis at a rate of 3.5% and $14,524,000 on a prime rate plus 1% basis. The Corporation did not have any borrowings on a banker's acceptance basis as at December 31, 2010 or January 1, 2010 as all amounts were borrowed on a prime rate plus 1% basis.

At December 31, 2011 the Corporation was in compliance with its debt covenants as shown below:

Debt Covenants	December 31, 2011

During the year ended December 31, 2011, the Corporation spent $101.0 million on capital asset additions as compared to $41.6 million in the same period of 2010. Capital spending was concentrated on rental fleet expansion and replacement to meet demand in the Camps & Catering segment. Management evaluates and manages its capital spending plans taking into account proceeds from disposals, resulting in net capital spending for the year ended December 31, 2011, of $92.4 million.

Quarterly Summary of Results

	Three months ended				Year ended
(000's except per share amounts)	March 2011	June 2011	September 2011	December 2011	December 2011
Revenue	$ 103,159	$ 86,607	$ 102,298	$ 110,929	$ 402,993
EBITDAS	22,805	22,019	28,443	29,369	102,636
Operating earnings	15,541	14,652	20,665	11,865	62,723
Total profit	10,912	10,233	15,068	8,609	44,822
Total comprehensive income	10,912	10,233	15,298	8,537	44,980
Earnings per share	$ 0.10	$ 0.10	$ 0.14	$ 0.08	$ 0.42
Earnings per share – diluted	$ 0.10	$ 0.10	$ 0.14	$ 0.08	$ 0.41

	Three months ended				Year ended
(000's except per share amounts)	March 2010	June 2010	September 2010	December 2010	December 2010
Revenue	$ 43,702	$ 45,644	$ 64,892	$ 85,020	$ 239,258
EBITDAS	8,970	7,271	17,361	18,881	52,483
Operating earnings	2,607	512	10,613	12,123	25,855
Total profit	1,041	(59)	7,346	8,102	16,430
Total comprehensive income	1,041	(59)	7,346	8,102	16,430
Earnings per share	$ 0.01	$ -	$ 0.07	$ 0.08	$ 0.16
Earnings per share – diluted	$ 0.01	$ -	$ 0.07	$ 0.08	$ 0.16

Through the last half of 2010, as the price of oil and minerals recovered and the economy began to strengthen, Horizon was able to significantly leverage investments in our manufacturing facilities and rental fleet. As a result, revenue and EBITDAS grew throughout 2010, gaining significant momentum in the second half of the year. Activity levels continued to improve throughout 2011 with strong performance expected to continue in 2012 based on increasing customer demand driven by the levels of project investment. With the high levels of investment being made by the energy sector and greater activity in the oil sands, strengthening demand and improving utilization is significantly reducing the seasonal nature of Horizon's business.

Risks and Uncertainties

Volatility of Oil, Natural Gas and Mining Industry Conditions

The demand, pricing and terms for Horizon’s Camps & Catering, Matting, and Marine Services segments depend upon the level of industry activity for oil, natural gas and mineral exploration and development in the western Canadian provinces and northern territories. Industry conditions are influenced by numerous factors over which Horizon has no control, including: the level of oil and natural gas and mineral prices; expectations about future oil and natural gas and mineral prices; the cost of exploring for, producing and delivering oil and natural gas and minerals; the expected rates of declining current production; the discovery rates of new oil and natural gas and mineral reserves; available pipeline and other oil and natural gas transportation capacity; demand for oil, natural gas and minerals; worldwide weather conditions; global political, military, regulatory and economic conditions; and the ability of oil and natural gas and mining companies to raise equity capital or debt financing for exploration and development work.

Current global economic events and uncertainty have the potential to significantly impact commodity pricing and, as such, change the economic feasibility of industry development projects. No assurance can be given that expected trends in oil and natural gas and mineral production activities will continue or that demand for services provided by Horizon will reflect the level of activity in the industry. Any prolonged substantial reduction in oil and natural gas and mineral prices would likely affect activity levels in these industries and therefore affect the demand for the services provided by Horizon.

Competition

Horizon provides Camps & Catering, Matting and Marine Services primarily to oil and natural gas and mineral exploration and production companies in the western Canadian provinces and northern territories. The service businesses in which Horizon operates are highly competitive. To be successful, Horizon has to provide services that meet the specific needs of its clients at competitive prices. The principal competitive factors in the markets in which Horizon operates are service, quality, availability, reliability and performance of equipment used to perform its services, technical knowledge and experience, safety records and ongoing safety programs and price. Horizon competes with several competitors that are both smaller and larger than it is. These competitors offer similar services in all geographic areas in which Horizon operates. As a result of competition, Horizon’s business, financial condition and results of operations could be adversely affected.

Reduced levels of activity in the oil and natural gas and mining industries can intensify competition and result in lower revenue to Horizon. Variations in the exploration and development budgets of oil and natural gas and mining companies, which are directly affected by fluctuations in energy prices and mineral prices, the cyclical nature and competitiveness of the oil and natural gas and mining industries and governmental regulation, will have an effect upon Horizon’s ability to generate revenue and earnings.

Credit Risk

A substantial portion of Horizon’s trade and other accounts receivable are with customers involved in the oil and natural gas and mining industries, whose revenues may be impacted by fluctuations in commodity prices. Collection of these receivables could be influenced by economic factors affecting the oil and natural gas and mining industries.

Additional Funding Requirements

Horizon’s cash flow may not be sufficient to fund its ongoing activities at all times. From time to time, Horizon may require additional financing. Failure to obtain such financing on a timely basis could cause Horizon to miss certain acquisition opportunities or prevent further growth of its operations. If Horizon’s revenues decrease, it will affect Horizon’s ability to expend the necessary capital to maintain its operations. If Horizon’s cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to Horizon.

Issuance of Debt

From time to time, Horizon may enter into transactions to acquire assets or shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase Horizon's debt levels above industry standards. Horizon may require additional equity and/or debt financing that may not be available or, if available, may not be available on favorable terms. Neither Horizon's articles nor its by-laws limit the amount of indebtedness that Horizon may incur. The level of Horizon's indebtedness from time to time could impair its ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Labour Relations

The largest component of Horizon's overall expenses is salaries, wages, benefits and payments to employees, agents and contractors. Any significant increase in these expenses could impact the financial results of Horizon. In addition, Horizon will be at risk if there are any labour disruptions. Horizon believes that it has and will continue to foster a positive relationship with employees, agents and contractors.

Agreements and Contracts

The business operations of Horizon depend on successful execution of performance-based contracts. The key factors which will determine whether a client will continue to use Horizon will be service quality and availability, reliability and performance of equipment used to perform its services, technical knowledge and experience, safety record and ongoing safety programs and competitive price. There can be no assurance that Horizon's relationship with its customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, could have a material adverse effect on Horizon's business, financial condition and results of operations.

Significant Customers

In the year ended December 31, 2011, the Corporation had two significant customers who each contributed greater than 10% of the consolidated revenue, for a combined total of 42%. The loss of these sources of revenue could have a substantial negative impact on the Corporation's future results from operations.

Reliance on Key Personnel

Horizon's success depends in large measure on certain key personnel. The loss of services of such key personnel could have a material adverse effect on Horizon. Horizon does not have key person insurance in effect for management. The contributions of these individuals to the immediate operations of Horizon are likely to be of central importance. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of Horizon.

Camp Permits

In most cases, permits issued by government agencies are required to set up and operate remote work camp facilities. The issuance of permits is dependent upon water and waste treatment alternatives available, road traffic volumes and fire conditions in forested areas. Failure to receive or renew permits could have a negative impact on the business of the Camps & Catering segment.

Government Regulation

The operations of Horizon are subject to a variety of federal, provincial and local laws of Canada, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment, the operation of equipment used in its operations and the transportation of materials and equipment it provides for its customers. Horizon invests financial and managerial resources to ensure such compliance. Although such expenditures are generally not material to service providers, such laws or regulations are subject to change. Accordingly, it is impossible for Horizon to predict the cost or impact of such laws and regulations on its future operations.

Environmental Regulation

The Government of Canada and provincial governments in areas where Horizon does business have been working through various forms of regulation and legislation focused on climate change and greenhouse gas emissions. Future federal legislation, together with provincial emission reduction requirements may require the reduction of emissions or emissions intensity from Horizon's operations and facilities and those of its customers. A number of Horizon's customers are involved in the oil and gas exploration and development industry, with specific focus on oil sands related projects. Focus and scrutiny has recently intensified on oil sands development, which could lead to incremental environmental regulation or legislation.

Potential changes in requirements may result in increased operating costs and capital expenditures for oil and gas and mining industry participants, thereby delaying or decreasing the demand for Horizon's services.

Management is unable to predict the impact of potential emissions targets and it is possible that changes could adversely affect Horizon's business, financial condition and results of operations. These regulations would likely result in higher operating costs for our customers in the region, putting further pressure on project economics, and may also impair Horizon's ability to provide its services economically.

Aboriginal Relationships

A component of Horizon's business strategy is based on developing and maintaining positive relationships with the aboriginal people and communities in the areas where Horizon operates. These relationships are important to Horizon's operations and customers who desire to work on traditional aboriginal lands. The inability to develop and maintain relationships and to be in compliance with local requirements could adversely affect Horizon's business strategy, growth and profitability.

Seasonal Operations

Each of Horizon's businesses has slightly different seasonal aspects. Certain segments of the Camps & Catering division are exposed to the seasonality of th

Financial Instruments and Risk Management

(a) Overview

The Corporation is exposed to a number of different financial risks arising from normal course business operations as well as through the Corporation's financial instruments comprised of: cash and cash equivalents, trade and other receivables, trade and other payables, and long-term loans and borrowings. These risk factors include credit risk, liquidity risk, and market risk including currency exchange risk and interest rate risk.

The Corporation's risk management practices include identifying, analyzing and monitoring the risks faced by the Corporation. The following presents information about the Corporation's exposure to each of the risks and the Corporation's objectives, policies and processes for measuring and managing risk.

(b) Credit risk

Credit risk is the risk that a customer will be unable to pay amounts due causing a financial loss. The Corporation's practice is to manage credit risk by examining each new customer individually for credit worthiness before the Corporation's standard payment terms are offered. The Corporation's review may include financial statement review, credit references, or bank references. Customers that lack credit worthiness transact with the Corporation on a prepayment only basis.

The Corporation constantly monitors individual customer trade receivables, taking into consideration industry, aging profile, maturity, payment history and existence of previous financial difficulties in assessing credit risk. A formal review is performed each month for each subsidiary, focusing on amounts which have been outstanding for periods which are considered abnormal for each customer. The Corporation establishes an allowance for doubtful accounts for specifically identifiable customer balances which are assessed to have credit risk exposure.

The following shows the aged balances of trade and other receivables:

(000's)	December 31, 2011	December 31, 2010
Neither impaired nor past due	$ 32,975	$ 24,805
Impaired	156	633
Outstanding 31-60 days	18,319	10,599
Outstanding 61-90 days	10,821	3,421
Outstanding more than 90 days	5,519	4,279
Total	67,790	43,737
Allowance for doubtful accounts	(156)	(633)
Accrued revenue	14,946	7,730
Other receivables	904	1,169
Total trade and other receivables	$ 83,484	$ 52,003

In the year ended December 31, 2011, the Corporation provided an allowance for $240,000 of receivables aged greater than 90 days and incurred an additional bad debt expense of $1,699,000 that had not previously been allowed for. The Corporation also applied $246,000 of allowance for doubtful accounts against the associated receivable balance. As at February 22, 2012 the Corporation has collected $3,799,000 on amounts outstanding more than 90 days.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation believes that it has access to sufficient capital through internally generated cash flows and committed credit facilities to meet current spending forecasts.

To manage liquidity risk, the Corporation forecasts operational results and capital spending on a regular basis. Actual results are compared to these forecasts to monitor the Corporation's ability to continue to meet spending forecasts.

The following shows the timing of cash outflows relating to trade and other payables and loans and borrowings:

	December 31, 2011		December 31, 2010	
	Trade and other payables(1)	Loans and borrowings(2)	Trade and other payables(1)	Loans and borrowings(2)
Year 1	$ 46,213	$ 1,281	$ 27,555	$ 11,773
Year 2	-	1,000	-	6,067
Year 3	-	50,523	-	13,150
Year 4	-	3,711	-	8,088
Year 5 and beyond	1,283	-	1,223	3,058
	$ 47,496	$ 56,515	$ 28,778	$ 42,136

(1) Trade and other payables include trade and other payables, income taxes payable, and provisions. Trade and other payables as at December 31, 2010 include trade and other payables, income taxes payable, bank indebtedness and provisions.

(2) Loans and borrowings as at December 31, 2011 include non-interest bearing notes payable and Horizon's revolving credit facility which replaced the previous senior secured facility on June 30, 2011. Loans and borrowings as at December 31, 2010 include non-interest bearing notes payable and the Horizon's senior secured revolving term facility. Cash flows of Horizon's note payable have been recorded according to estimated utilization of specific equipment.

(d) Market risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on future performance of the Corporation. The market price movements that could adversely affect the value of the Corporation's financial assets, liabilities and expected future cash flows include foreign currency exchange risk and interest rate risk. As the Corporation's exposure to foreign currency exchange risk and interest rate risk is limited, the Corporation does not currently hedge its financial instruments.

(i) Foreign currency exchange risk

The Corporation began operations in the USA in September 2011 with a small camp & catering project in Montana. The foreign exchange risk with respect to this operation is limited due to revenues and purchases being denominated in USD. For the Canadian operations, the Corporation has limited exposure to foreign currency exchange risk as sales and purchases are typically denominated in CAD. The Corporation's exposure to foreign currency exchange risk arises from the purchase of some raw materials, which are denominated in USD, and foreign operations with USD functional currency.

As the foreign currency exchange risks are primarily based on the realized foreign exchange, the following sensitivity analysis is to determine the impact on cash used in operating activities. The effect of a $0.01 increase in the USD/CAD exchange rate would decrease cash used in operating activities for the year ended December 31, 2011 by approximately $258,000 (December 31, 2010 - $49,000). This assumes that the quantity of USD purchases and the foreign operations in the quarter remain unchanged and that the change in the USD/CAD exchange rate is effective from the beginning of the year.

(ii) Interest rate risk

The Corporation is exposed to interest rate risk as changes in interest rates may affect interest expense and future cash flows. The primary exposure is related to the Corporation's revolving credit facility which bears interest at a rate of prime plus 1.00%. If prime were to have increased by 1.00%, it is estimated that the Corporation's net earnings would have decreased by approximately $393,000 for the year ended December 31, 2011 (December 31, 2010 – $328,000). This assumes that the amount and mix of fixed and floating rate debt in the nine months ended December 31, 2011 remains unchanged and that the change in interest rates is effective from the beginning of the year.

Outstanding Shares

Horizon had 106,751,651 voting common shares issued and outstanding with a book value of $173,438,000 or $1.62 per share as at December 31, 2011.

Off Balance Sheet Financing

Horizon has no off balance sheet financing.

Management's Report on Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure Controls & Procedures

Disclosure controls and procedures (DC&P) are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure.

As at December 31, 2011, an evaluation was carried out, under the supervision of the CEO and the CFO, of the effectiveness of the design and operation of Horizon's DC&P as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings. Based on this evaluation, the CEO and CFO have concluded that, as at December 31, 2011 Horizon's DC&P, as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, were effective.

Throughout 2011, Horizon focused on continuous improvement and improved execution of its DC&P. Horizon will continue to evaluate its DC&P making modifications from time-to-time as deemed necessary. There were no changes in Horizon's DC&P that occurred during the year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, Horizon's DC&P.

Internal Controls over Financial Reporting

Internal controls over financial reporting (ICFR) are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate ICFR.

Horizon's ICFR include, but are not limited to, policies and procedures addressing:

- the maintenance of records that provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS;
- receipts and expenditures are being made only in accordance with authorizations of management and directors;
- maintenance of records in reasonable detail to accurately and fairly reflect transactions and disposition of assets; and
- the reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on annual and interim consolidated financial statements.

Because of inherent limitations, ICFR can only provide reasonable assurance and may not prevent or detect all misstatements. Additionally, projections of an evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may

Throughout 2011 Horizon focused on continuous improvement and improved execution of its ICFR. Horizon will continue to evaluate its ICFR making modifications from time-to-time as deemed necessary. There were no changes in Horizon's ICFR that occurred during the year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, Horizon's ICFR.

Limitations on the Effectiveness of Disclosure Controls and Procedures and Internal Control over Financial Reporting

Because of their inherent limitations, DC&P and ICFR may not prevent or detect misstatements, errors or fraud. Control systems, no matter how well conceived or implemented, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met.

Related parties

(000's)	December 31, 2011	December 31, 2010
Equity accounted investees		
Sales	257	3,919
Recovery of administrative overhead	-	284
Included in accounts receivable	-	235
Joint venture		
Purchases	$ -	$ 52
Sales	132	113
Recovery of administrative overhead	23	60
Included in accounts receivable	-	-
Key management personnel interests		
Purchases	$ 30	$ 43
Sales	783	1,181
Included in accounts receivable	30	1
Included in accounts payable	-	-

All related party transactions in the normal course of operations have been measured at the agreed to exchange amounts, which is the amount of consideration established and agreed to by the related parties and which is similar to those negotiated with third parties. All outstanding balances are to be settled with cash, and none of the balances are secured.

Advisories

This Management's Discussion and Analysis, prepared as at February 22, 2012, focuses on key statistics from the Consolidated Financial Statements and pertains to known risks and uncertainties relating to the business carried on by Horizon North Logistics Inc. (the "Corporation" or "Horizon"). This discussion should not be considered all-inclusive, as it does not attempt to include changes that may occur in general economic, political and environmental conditions. Additional information related to the Corporation, including the Corporation's annual information form, is available on SEDAR at www.sedar.com. Unless otherwise indicated, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and the reporting currency is in Canadian dollars.

Caution Regarding Forward-Looking Information and Statements

Certain statements contained in this Management Discussion and Analysis ("MD&A") constitute forward-looking statements or information. These statements relate to future events or future performance of Horizon. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan" "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "should", "believe" and similar expressions are intended to identify forward-looking statements.

In particular, such forward looking statements include: under the heading "Outlook" the statements that "Horizon continues to see significant opportunities for growth and expansion over the next few years.", and "Oil sands development activities are expected to remain strong over the next few years, which in turn which will serve as the main driver for Horizon's expansion plans with the majority of our capital spending allocated to support oil sands development projects ".

The foregoing statements are based on the assumption that the Corporation's revenues will continue to be as strong as anticipated to justify such increased capital spending.

There are a number of risks which could impact these generally high levels of activity which could negatively impact the Corporation's business. As such, many factors could cause the performance or achievements of the Corporation to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

HORIZON NORTH
Logistics Inc

Management's Report to Shareholders

The accompanying consolidated financial statements of Horizon North Logistics Inc. ("**Horizon**") have been approved by the Board of Directors (the "**Board**") of Horizon and have been prepared by management in accordance with International Financial Reporting Standards. Financial statements will, by necessity, include certain amounts based on estimates and judgments. The financial information contained throughout this report has been reviewed to ensure consistency with these consolidated financial statements.

Management has overall responsibility for internal controls and maintains accounting systems designed to provide reasonable assurance that transactions are properly authorized, assets safeguarded and that the financial records form a reliable base for the preparation of accurate and timely financial information. The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of disclosure controls and procedures and internal controls over financial reporting and have concluded that they are effective.

The Board oversees the management of the business and affairs of Horizon; including ensuring management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee, which consists of three independent directors. The Audit Committee has reviewed the consolidated financial statements with management and the external auditor.

An independent firm of chartered accountants, appointed as external auditor by the shareholders, has audited the consolidated financial statements and its report is included herein.

Bob German	Scott Matson
President and	Vice President Finance and
Chief Executive Officer	Chief Financial Officer

March 26, 2012

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Horizon North Logistics Inc.

We have audited the accompanying consolidated financial statements of Horizon North Logistics Inc., which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Horizon North Logistics Inc. as at December 31, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants

Calgary, Canada
February 22, 2012

Consolidated statement of financial position

(000's)	December 31, 2011		December 31, 2010		January 1, 2010	
Assets						
Current assets:						
Cash and cash equivalents	$	-	$	-	$	3,724
Trade and other receivables (Note 11)		83,484		52,003		26,614
Inventories (Note 12)		15,334		13,726		9,298
Prepayments		3,981		8,953		1,830
Income taxes receivable		-		-		990
		102,799		74,682		42,456
Non-current assets:						
Property, plant and equipment (Note 13)		228,793		162,484		146,048
Intangible assets (Note 14)		18,232		26,892		35,320
Goodwill (Note 14)		2,136		2,136		2,136
Investments in equity accounted investees (Note 15)		529		2,251		2,463
Deferred tax assets (Note 19)		1,837		6,458		8,434
Other assets (Note 16)		2,811		2,934		3,061
		254,338		203,155		197,462
	$	357,137	$	277,837	$	239,918
Liabilities and Shareholders' Equity						
Current liabilities:						
Bank indebtedness	$	-	$	834	$	-
Trade and other payables		41,833		25,377		12,391
Deferred revenue		13,601		7,206		2,068
Income taxes payable		4,380		1,344		-
Current portion of loans and borrowings (Note 17)		1,281		11,773		8,839
		61,095		46,534		23,298
Non-current liabilities:						
Asset retirement provisions (Note 18)		1,283		1,223		1,169
Loans and borrowings (Note 17)		55,234		30,363		35,863
Deferred tax liabilities (Note 19)		23,456		20,918		18,326
		141,068		99,038		78,656
Shareholders' equity:						
Share capital (Note 20)		173,438		245,353		245,353
Contributed surplus (Note 21)		10,421		11,446		10,339
Accumulated other comprehensive income		158		-		-
Retained earnings (Deficit)		32,052		(78,000)		(94,430)
		216,069		178,799		161,262
	$	357,137	$	277,837	$	239,918

The accompanying notes are an integral part of the consolidated financial statements.

Roderick Graham
Director

Bob German
Director

Consolidated statement of comprehensive income
Years ended December 31, 2011 and 2010

HORIZON NORTH
Logistics Inc

(000's except per share amounts)	December 31, 2011	December 31, 2010
Revenue (Note 5)	$ 402,993	$ 239,258
Operating expenses:		
Direct costs (Note 6)	285,837	175,522
Depreciation (Note 13)	21,420	16,645
Amortization of intangible assets (Note 14)	163	479
Share based compensation (Note 20)	377	689
Impairment loss (Note 13 & 14 & 15)	8,071	-
Loss on disposal of property, plant and equipment	1,521	343
Direct operating expenses (Note 6)	317,389	193,678
Gross profit	85,604	45,580
Selling & administrative expenses:		
Selling & administrative expenses (Note 7)	14,520	11,253
Amortization of intangible assets (Note 14)	8,140	8,054
Share based compensation (Note 20)	221	418
Selling & administrative expenses (Note 7)	22,881	19,725
Operating earnings	62,723	25,855
Finance costs (Note 9)	2,467	1,910
Share of loss of equity accounted investees	27	212
Profit before tax	60,229	23,733
Current tax expense	8,248	2,735
Deferred tax expense	7,159	4,568
Income tax expense (Note 10)	15,407	7,303
Total profit	44,822	16,430
Other comprehensive income:		
Translation of foreign operations gain	(158)	-
Other comprehensive income, net of income tax	(158)	-
Total comprehensive income	$ 44,980	$ 16,430
Earnings per share:		
Basic (Note 22)	$ 0.42	$ 0.16
Diluted (Note 22)	$ 0.41	$ 0.16

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

(000's)	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	Total
Balance at January 1, 2010	$ 245,353	$ 10,339	$ -	$ (94,430)	$ 161,262
Total profit	-	-	-	16,430	16,430
Share based compensation	-	1,107	-	-	1,107
Balance at December 31, 2010	245,353	11,446	-	(78,000)	178,799
Reduction of capital (Note 20)	(78,000)	-	-	78,000	-
Total profit	-	-	-	44,822	44,822

Consolidated statement of cash flows
Years ended December 31, 2011 and 2010

HORIZON NORTH
Logistics Inc

(000's)	December 31, 2011	December 31, 2010
Cash provided by (used in):		
Operating activities:		
Profit for the period	$ 44,822	$ 16,430
Adjustments for:		
Depreciation (Note 13)	21,420	16,645
Amortization of intangible assets (Note 14)	8,303	8,533
Impairment loss (Note 13 & 14 & 15)	8,071	-
Share based compensation (Note 20)	598	1,107
Amortization of other assets	123	127
Loss on equity investments	27	212
Gain on sale of property, plant and equipment	(1,267)	(2,635)
Unrealized foreign exchange	27	-
Finance costs (Note 9)	2,467	1,910
Income tax expense (Note 10)	15,407	7,303
	99,998	49,632
Income taxes paid	(5,211)	(401)
Interest paid	(1,708)	(1,539)
Changes in non-cash working capital items	(9,583)	(18,819)
	83,496	28,873
Investing activities:		
Purchase of property, plant and equipment (Note 13)	(101,034)	(41,561)
Purchase of intangibles (Note 14)	-	(105)
Proceeds on sale of property, plant and equipment	8,683	11,115
	(92,351)	(30,551)
Financing activities:		
Proceeds from bank indebtedness	-	834
Shares issued on exercise of options (Note 20)	4,462	-
Proceeds from (repayment of) loans and borrowings (Note 17)	12,893	(2,880)
Payment of dividends	(8,500)	-
	8,855	(2,046)
Decrease in cash position	-	(3,724)
Cash, beginning of period	-	3,724
Cash, end of period	$ -	$ -

The accompanying notes are an integral part of the consolidated financial statements.

1. Reporting Entity

Horizon North Logistics Inc. ("Horizon" or the "Corporation") is a company registered and domiciled in Canada and is a publicly-traded company, listed on the Toronto Stock Exchange under the symbol HNL. The company's registered offices are at 1600, 505 – 3rd Street SW, Calgary, AB T2P 3E6. The consolidated financial statements of the Corporation as at and for the year ended December 31, 2011 comprise the Corporation and its subsidiaries and the Corporation's interest in associates and jointly controlled entities. Horizon provides camp & catering services, ground matting services, and marine transportation services to oil and gas exploration and production companies, oilfield service companies and mining companies working on oil sands, mineral exploration and development, and conventional oil and gas projects primarily in western Canada.

2. Basis of Presentation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These are the Corporation's first consolidated financial statements prepared in accordance with IFRS and IFRS 1 "First-time adoption of International Financial Reporting Standards."

An explanation of how the transition to IFRS has affected the reported financial position, financial performance, and cash flows of the Corporation is provided in Note 28.

The consolidated financial statements were authorized for issue by the Board of Directors on February 22nd, 2012.

(b) Basis of measurement

The consolidated financial statements have been prepared using the historical cost basis.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's and subsidiaries functional currency with the exception of United States ("US") operations which have a US dollar functional currency.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The judgements, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual outcomes may differ from these estimates.

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Revenue Recognition – The Corporation uses the percentage-of-completion method in accounting for its construction contract revenue. Use of the percentage-of-completion method requires estimates of the stage of completion of the contract to date as a proportion of the total contract work to be performed in accordance with the accounting policy set out in Note 3(i)(iv).

- Impairment - The Corporation assesses impairment at each reporting date by evaluating conditions specific to the organization that may lead to impairment of assets. Where an impairment indicator exists or annually for goodwill, the recoverable amount of the asset or cash generating unit is determined using the greater of fair value less costs to sell and value-in-use. Value-in-use calculations and fair value less costs to sell require the use of various judgements, estimates and assumptions. Value-in-use calculations require assumptions for discount rates and estimations of the timing of events or circumstances that will affect future cash flows. Fair value less costs to sell requires management to make judgements of fair value using market conditions for similar assets as well as estimations for costs to sell taking into account dismantle and transportation costs.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Business combinations

As part of its transition to IFRS, the Corporation elected to restate only those business combinations that occurred on or after the date of transition (January 1, 2010). In respect of acquisitions prior to January 1, 2010, goodwill represents the amount recognized under previous Canadian GAAP.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Corporation. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Corporation. Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders; therefore no goodwill is recognized as a result of such transactions.

(iii) Special purpose entities

The Corporation has established a number of special purpose entities (“SPE”) for operating purposes. An SPE is consolidated when, based on an evaluation of the substance of its relationship with the Corporation and the SPE’s risks and rewards, the Corporation concludes that it controls the SPE. SPE’s controlled by the Corporation were established under terms that impose strict limitations on the decision-making powers of the SPE’s management and that result in the Corporation receiving the majority of the benefits related to the SPE’s operations and net assets, being exposed to the majority of risks incident to the SPE’s activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

(iv) Investments in associates (equity accounted investees)

Associates are those entities in which the Corporation has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Corporation holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The Corporation’s investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Corporation’s share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Corporation, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Corporation’s share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Corporation has an obligation or has made payments on behalf of the investee.

(v) Joint ventures

Joint ventures are those entities over whose activities the Corporation has joint control, established by contractual agreement. The consolidated financial statements include the Corporation’s proportionate share of the entities’ assets, liabilities, revenue and expenses with items of a similar nature on a line-by-line basis, from the date that joint control commences until the date that joint control ceases.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Corporation’s interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3. Significant Accounting Policies (continued)

(b) Financial instruments

Financial Instrument	Category	Measurement Method
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Bank indebtedness	Other financial liabilities	Amortized cost
Loans and other borrowings	Other financial liabilities	Amortized cost

(i) Non-derivative financial assets

The Corporation initially recognizes trade and other receivables and deposits on the date that they originate. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which it becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, there is a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Corporation uses the following non-derivative financial asset classifications: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss are classified as held for trading or are designated as such upon initial recognition. Held-for-trading instruments are financial assets and liabilities typically acquired with the intention of generating revenues in the short-term. However, an entity is allowed to designate certain financial instruments as held-for-trading on initial recognition even if it would otherwise not satisfy the definition. As at December 31, 2011 and 2010 and January 1, 2010 the Corporation does not hold any held-for-trading financial instruments. Financial assets required to be classified or designated as held-for-trading are measured at fair value, with gains and losses recorded in net earnings for the period in which the change occurs. Attributable transaction costs are recognized in profit or loss as incurred. The Corporation uses trade-date accounting for its held-for-trading financial assets. As at December 31, 2011, the Corporation does not have any financial assets classified as financial assets at fair value through profit or loss.

Held-to-maturity investments are non-derivative financial assets, with fixed or determinable payments and fixed maturity, which an entity has the positive intention and ab

3. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Available-for-sale financial assets are non-derivative assets that are designated as available-for-sale or that are not classified as loans and receivables, held-to-maturity investments or held-for-trading. Available-for-sale financial assets are carried at fair value with unrealized gains and losses included in other comprehensive income until such gains or losses are realized or an other than temporary impairment is determined to have occurred. Available-for-sale assets are measured at fair value, except for assets that do not have a readily determinable fair value which are recorded at cost. Attributable transaction costs are recognized in profit or loss as incurred. As at December 31, 2011, the Corporation does not have any financial assets classified as available-for-sale.

(ii) Non-derivative financial liabilities

The Corporation initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which it becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, there is a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Corporation has the following non-derivative financial liabilities: loans and borrowings, bank indebtedness, and trade and other payables.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after January 1, 2010.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within operating expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing a major component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation, and its cost can be measured reliably. The carrying amount of the replaced major component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

3. Significant Accounting Policies (continued)

(c) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is calculated using the depreciable amount, which is the cost of an asset, less its residual value. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

Assets	Method	Residual Value	Useful Life
Camp facilities	Straight-line	20%	15 to 20 years
Marine equipment	Straight-line	-	20 years
Buildings	Straight-line	-	20 years
Automotive & trucking equipment	Straight-line	-	4 to 8 years
Mats	Straight-line	-	6 years
Camp & catering equipment	Straight-line	-	2 to 10 years
Leasehold improvements	Straight-line	-	Term of lease
Manufacturing equipment	Straight-line	-	2 to 10 years
Furniture, fixtures & other equipment	Straight-line	-	5 years
Computer hardware & software	Straight-line	-	3 to 5 years

Depreciation methods, useful lives, and residual values are reviewed at each financial year end and adjusted if appropriate. Land and assets under construction are not depreciated.

(d) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures. As part of its transition to IFRS, the Corporation elected to restate only those business combinations that occurred on or after January 1, 2010. In respect of acquisitions prior to January 1, 2010, goodwill represents the amount recognized under the Corporation's previous accounting framework, Canadian GAAP.

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. Goodwill is not amortized but tested at least annually for impairment.

(ii) Assets acquired on business combinations

Non-operating intangible assets are intangible assets that are acquired as a result of a business combination, which arise from contractual or other legal rights and are not transferable or separable. On initial recognition they are measured at fair value. Amortization is charged on a straight line basis to the statement of comprehensive income over their expected useful lives which are:

	Estimated useful lives
Customer relationships	7 years
Non-competition agreements	3 years
Other intangible assets	5 years

Amortization methods, useful lives, and residual values are reviewed at each financial year-end and adjusted if appropriate. Other intangible assets that are acquired by the Corporation, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

3. Significant Accounting Policies (continued)

(e) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on a weighted average or standard cost principle and includes expenditures incurred in acquiring the inventories, production or conversion costs, and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(f) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Corporation considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Corporation uses historical trends of the probability of default, timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognized in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

3. Significant Accounting Policies (continued)

(f) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or assets that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the group of CGUs that are expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Corporation's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units), on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill that forms part of the carrying amount of an investment in an associate is not re

3. Significant Accounting Policies (continued)

(g) Employee benefits (continued)

(iii) Share based compensation transactions

The grant date fair value of share based compensation awards granted to employees is recognized as an expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards (vesting period). The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

(h) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(i) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable. Revenue is recognized when the significant risks and rewards have transferred to the customer, collectability is reasonably assured, the associated costs can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For the sale of camps and mats, transfer usually occurs when the product is delivered to the customer's site; however, in instances where the customer has provided a certificate of insurance for undelivered assets, the Corporation will recognize revenue prior to delivery.

(ii) Services

The Corporation's services are generally provided based upon purchase orders or contracts with its customers that include fixed or determinable prices based upon monthly, daily, or hourly rates. Revenue is recognized when services are rendered and only when collectability is reasonably assured.

(iii) Rental income

Rental income is recognized in profit or loss on a straight line basis over the term of the arrangement, or on a daily or monthly rate.

(iv) Construction contracts

Contract revenue includes the initial amount agreed to in the contract plus any variations in contract work, claims, and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

3. Significant Accounting Policies (continued)

(j) Lease payments

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Leases in terms of which substantially all the risks and rewards of ownership are transferred to the Corporation are classified as finance leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease:

At inception of an arrangement, the Corporation determines whether such an arrangement is, or contains, a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Corporation the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Corporation separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Corporation concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Corporation's incremental borrowing rate.

(k) Finance income and costs

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction, or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(l) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

3. Significant Accounting Policies (continued)

(l) Income tax (continued)

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Earnings per share

The Corporation presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which is comprised of share options granted to employees.

(n) Segment reporting

A segment is a distinguishable component of the Corporation that is engaged either in providing related products or services (business segment) which is subject to risks and returns that are different from those of other segments. The business segments are determined based on the Corporation's management and internal reporting structure.

Segment results, assets, and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Corporation's headquarters) and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

(o) Foreign currency translation

The consolidated financial statements are presented in Canadian Dollars ("CAD"), which is the Corporation's functional currency.

Foreign currency transactions entered into through the Canadian operations are translated into CAD at the exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated into CAD using the exchange rate on the period end date. Foreign currency translation gains and losses resulting from the settlement of transactions and the re-translation at period end are recognized in the statement of comprehensive income within total profit. Non-monetary items that originated in a foreign currency are translated at the exchange rate from the original transaction date.

US operations have a US Dollar ("USD") functional currency and therefore are translated to be included in the consolidated financial statements in CAD as follows: income and expenses are translated into CAD using the exchange rates on the dates of the transactions and the statement of financial position is translated into CAD at the period end exchange rate. The effect of translation is recognized in other comprehensive income and included as translation of foreign operations in accumulated other comprehensive income within equity.

Foreign currency gains and losses arising from monetary items receivable from or payable to a foreign operation, for which settlement is neither planned nor likely to occur, form a part of the exchange differences in the net investment in the foreign operations and are recognized initially in other comprehensive income. Upon disposal or partial disposal of an entity with a functional currency other than CAD, any accumulated exchange differences will be reclassified to the statement of comprehensive income within total profit.

3. Significant Accounting Policies (continued)

(p) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these consolidated financial statements. The new, not adopted standards are not expected to have a material impact on the Corporation.

4. Determination of fair values

A number of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

The fair value of property, plant and equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller, in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on the market and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

(b) Intangible assets

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use or eventual sale of the assets.

(c) Other financial assets and liabilities

The fair value of other financial assets and liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(d) Share-based compensation transactions

The fair value of the employee share options is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on measurement date, the exercise price of the instrument, the expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information),

5. Revenue

(000's)	Twelve months ended December 31 2011	2010
Sales of goods	$ 38,802	$ 16,824
Rendering of services	103,149	61,690
Rental income	180,821	108,241
Construction contract revenue	80,221	52,503
	$ 402,993	$ 239,258

Construction contract revenue has been determined based on the percentage of completion method. The amount of construction contract revenue results from the manufacture of camp and structure facilities in the Camp & Catering segment. These units are based on specifically negotiated contracts with customers.

At December 31, 2011, advances received from customers under open construction contracts amounted to $12,167,000 (2010: $7,167,000). Advances for which the related work has not been completed are presented as deferred revenue.

6. Direct Operating Expenses

(000's)	Twelve months ended December 31 2011	2010
Cost of goods sold	$ 85,716	$ 51,792
Labour	108,803	64,018
Catering supplies	32,389	15,997
Rental equipment	7,220	3,588
Repairs & maintenance	10,084	5,880
Trucking costs	10,580	9,550
Other operating expenses	31,045	24,697
Direct costs	$ 285,837	$ 175,522
Depreciation	21,420	16,645
Amortization of intangible assets	163	479
Impairment loss	8,071	-
Share based compensation	377	689
Loss on disposal of property, plant and equipment	1,521	343
	$ 317,389	$ 193,678

The amount of inventories recognized as an expense during the twelve months ended December 31, 2011 is $80,776,000 (December 31, 2010 - $49,419,000).

7. Selling & Administrative Expenses

	Twelve months ended December 31	
(000's)	2011	2010
Salaries	$ 7,002	$ 6,461
Other selling & administrative expenses	7,518	4,792
Selling & administrative expenses	14,520	11,253
Amortization of intangible assets	8,140	8,054
Share based compensation	221	418
	$ 22,881	$ 19,725

8. Personnel expenses

	Twelve months ended December 31	
(000's)	2011	2010
Wages, salaries & benefits	$ 113,455	$ 70,478
Contributions to defined contribution plans	2,227	1,893
Equity settled share based compensation	598	1,107
	$ 116,280	$ 73,478

The Corporation has two types of defined contribution plans: a registered defined contribution plan covering a number of its employees and a collectively bargained plan covering union employees. Under the registered defined contribution plan, the Corporation matches individual contributions up to a maximum of 5% of the employee's annual salary. Under the collectively bargained plan, the Corporation contributes a set amount per hour worked. The total amount expensed under both defined contribution plans for the year ended December 31, 2011 was $2,227,000 (December 31, 2010 - $1,893,000).

9. Finance Costs

	Twelve months ended December 31	
(000's)	2011	2010
Interest expenses	$ 1,755	$ 1,542
Accretion of discount on notes payable	652	314
Accretion of provisions	60	54
	$ 2,467	$ 1,910

10. Income Taxes

The provision for income taxes differs from that which would be expected by applying statutory rates. A reconciliation of the difference is as follows:

	Twelve months ended December 31	
(000's)	2011	2010
Profit before tax	$ 60,229	$ 23,733
Combined federal and provincial income tax rate	26.5%	28.0%
Expected income tax provision	15,961	6,645
Non-deductible share based compensation	158	310
Loss on equity investments	456	59
Revisions to prior year tax pool estimates	(141)	172
Change in estimated timing of realization of temporary differences	(1,245)	246
Other	218	(129)
	$ 15,407	$ 7,303

For the year ended December 31, 2011 income tax expense was $15,407,000, an effective tax rate of 26%, for the year ended December 31, 2010 income tax expense was $7,303,000, an effective tax rate of 31%. The effective tax rate decreased due to a 1.5% decrease in federal tax rates from 2010 to 2011 as well as the change in estimated timing of realization of temporary differences.

11. Trade and other receivables

(000's)	December 31 2011	December 31 2010	January 1 2010
Trade receivables	$ 67,760	$ 43,501	$ 12,459
Accrued receivables	14,946	7,729	5,994
Loans and other receivables	904	1,170	8,622
Receivables due from related parties	30	236	186
	83,640	52,636	27,261
Allowance for doubtful	(156)	(633)	(647)
Trade and other receivables	$ 83,484	$ 52,003	$ 26,614

At December 31, 2011, progress billings from customers under open construction contracts included in trade receivables amounted to $14,010,000 (2010: $nil). The Corporation estimates that the carrying value of financial assets within trade and other receivables approximate their fair value.

12. Inventories

(000's)	December 31 2011	December 31 2010	January 1 2010
Raw materials	$ 10,678	$ 10,792	$ 5,226
Work-in-progress	-	108	2,227
Finished goods	4,656	2,826	1,845
	$ 15,334	$ 13,726	$ 9,298

13. Property, Plant and Equipment

Cost *(000's)*	Balance December 31 2010	Additions	Disposals	Impact of Foreign Translation	Balance December 31 2011
Camp facilities	$ 140,661	$ 79,098	$ (6,785)	$ 130	$ 213,104
Marine equipment	18,569	261	-	-	18,830
Buildings	15,193	1,138	-	-	16,331
Automotive & trucking equipment	20,364	5,673	(691)	-	25,346
Mats	5,270	3,125	(2,101)	-	6,294
Land	7,349	2,957	-	-	10,306
Camp & catering equipment	9,217	2,245	(104)	-	11,358
Leasehold improvements	1,346	473	-	-	1,819
Manufacturing equipment	1,282	245	-	-	1,527
Furniture, fixtures & other equipment	733	185	-	-	918
Computer hardware & software	1,271	717	-	-	1,988
Assets under construction	1,933	4,917	-	-	6,850
	$ 223,188	$ 101,034	$ (9,681)	$ 130	$ 314,671

Depreciation *(000's)*	Balance December 31 2010	Depreciation	Disposals	Impairment loss	Balance December 31 2011
Camp facilities	$ 24,653	$ 11,698	$ (929)	$ 6,019	$ 41,441
Marine equipment	15,143	267	-	-	15,410
Buildings	3,940	944	-	-	4,884
Automotive & trucking equipment	9,733	3,783	(444)	-	13,072
Mats	2,196	2,073	(876)	-	3,393
Land	-	-	-	-	-
Camp & catering equipment	2,833	1,661	(41)	-	4,453
Leasehold improvements	777	271	-	-	1,048
Manufacturing equipment	498	301	(91)	-	708
Furniture, fixtures & other equipment	487	132	116	-	735
Computer hardware & software	444	290	-	-	734
Assets under construction	-	-	-	-	-
	$ 60,704	$ 21,420	$ (2,265)	$ 6,019	$ 85,878

Carrying Amounts *(000's)*	Balance December 31 2010	Balance December 31 2011
Camp facilities	$ 116,008	$ 171,663
Marine equipment	3,426	3,420
Buildings	11,253	11,447
Automotive & trucking equipment	10,631	12,274
Mats	3,074	2,901
Land	7,349	10,306
Camp & catering equipment	6,384	6,905
Leasehold improvements	569	771
Manufacturing equipment	784	819
Furniture, fixtures & other equipment	246	183
Computer hardware & software	827	1,254
Assets under construction	1,933	6,850
	$ 162,484	$ 228,793

13. Property, Plant and Equipment (continued)

(a) Assets under construction

At December 31, 2011 and 2010, the Corporation had several camp facility fleet structures under construction for both maintenance and expansion purposes. The Corporation has not capitalized any borrowing costs for the twelve months ended December 31, 2011 (December 31, 2010 - $nil), due to the short term nature of construction.

(b) Capital commitments

At December 31, 2011 the Corporation had outstanding commitments to purchase property, plant and equipment for $38,750,000 (2010 - $19,206,000).

(c) Impairment loss

During the year ended December 31, 2011, certain assets in the Corporation's Camp and Catering CGU were under performing due to sustained low natural gas prices as well as slow business activity in Canada's Northern most region. The Corporation tested the related assets for impairment using a value in use calculation with a high risk adjusted discount rate of 21.75% and recognized an impairment loss of $6,019,000 with respect to camp facilities.

(d) Change in estimates

The Corporation conducted a review of the camp facilities asset class which resulted in changes in the expected usage useful lives and residual values. As a result, on January 1, 2011 the expected useful lives of these assets decreased from 20 years to 15 years and their estimated residual values increased from 0% to 20%. The expected effect of these changes on depreciation expense, recognized in direct operating expenses, in current and future periods is as follows:

(000's)	2011	2012	2013	2014	2015	Later
Increase (decrease) in depreciation expense	$ 572	$ 551	$ 465	$ 410	$ 428	$(12,834)

14. Intangible Assets and Goodwill

Intangible assets, other than goodwill, have finite useful lives. The current amortization charges for intangible assets are included on the consolidated statement of comprehensive income. Goodwill has an infinite life and is not amortized.

Cost *(000's)*	Balance December 31 2010	Additions	Removal of fully amortized	Balance December 31 2011
Customer relationships	$ 56,194	$ -	$ -	$ 56,194
Non-competition agreements	746	-	(746)	-
Other intangible assets	1,741	-	-	1,741
	$ 58,681	$ -	$ (746)	$ 57,935

Amortization *(000's)*	Balance December 31 2010	Amortization	Removal of fully amortized	Impairment loss	Balance December 31 2011
Customer relationships	$ 30,393	$ 8,140	$ -	-	$ 38,533
Non-competition agreements	746	-	(746)	-	-
Other intangible assets	650	163	-	357	1,170
	$ 31,789	$ 8,303	$ (746)	-	$ 39,703

Carrying Amount *(000's)*	Balance December 31 2010	Balance December 31 2011
Customer relationships	$ 25,801	$ 17,661
Non-competition agreements	-	-
Other intangible assets	1,091	571
	$ 26,892	$ 18,232

14. Intangible Assets and Goodwill (continued)

Cost *(000's)*	Balance January 1 2010	Additions	Removal of fully amortized	Balance December 31 2010
Customer relationships	$ 56,194	$ -	$ -	$ 56,194
Non-competition agreements	2,375	-	(1,629)	746
Other intangible assets	1,636	105	-	1,741
	$ 60,205	$ 105	$ (1,629)	$ 58,681

Amortization *(000's)*	Balance January 1 2010	Amortization	Removal of fully amortized	Balance December 31 2010
Customer relationships	$ 22,377	$ 8,016	$ -	$ 30,393
Non-competition agreements	2,143	232	(1,629)	746
Other intangible assets	365	285	-	650
	$ 24,885	$ 8,533	$ (1,629)	$ 31,789

Carrying Amount *(000's)*	Balance January 1 2010	Balance December 31 2010
Customer relationships	$ 33,817	$ 25,801
Non-competition agreements	232	-
Other intangible assets	1,271	1,091
	$ 35,320	$ 26,892

(a) Impairment loss

During the year ended December 31, 2011, certain intangible assets in the Corporation's Camp and Catering CGU related to design and engineering costs were tested for impairment as a result of reduced demand for a specific blast resistant product. The Corporation tested the related assets for impairment using a value in use calculation with a risk adjusted discount rate of 10.42% and recognized an impairment loss of $357,000 with respect to other intangible assets.

14. Intangible Assets and Goodwill (continued)

(b) Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Corporation's cash generating units which represent the lowest level at which goodwill is monitored for internal management purposes and which are not higher than the Corporation's operating segments.

As at December 31, 2011 the aggregate carrying amount of goodwill is $2,136,000 (2010: $2,136,000), allocated entirely to the Camp and Catering cash generating unit.

The recoverable amount of the cash generating unit was determined based on its value in use. It was concluded that the recoverable amount determined using a value in use calculation exceeded the carrying amount, and therefore no impairment was recorded.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. Unless indicated otherwise, value in use in 2011 was determined similarly as in 2010. The calculation of the value in use was based on the following key assumptions:

- Forecasts use current contracts and market conditions to project revenue. Costs are calculated using historical gross margins and additional known or pending factors.
- The projections were extrapolated over the remaining useful life of the primary assets of 15 years and discounted at a rate of 10.42% (2010: 12.65%, January 1, 2010: 12.65%). The discount rate was estimated based on past experience, and industry average unlevered beta, which was based on a possible range of debt leveraging of 9% at a market interest rate of 4%.
- No growth rate was applied, as even with such conservatism value-in-use exceeded carrying value.

It is unlikely that a change in a key assumption in the value-in-use calculation would cause the unit's carrying amount to exceed its recoverable amount.

15. Investments in equity accounted investees and joint ventures

Significant equity investments include Mackenzie Valley Logistics Inc. ("Mackenzie Valley") and Mackenzie Delta Integrated Oilfield Services Ltd. ("MDIOS"). Equity investments were tested for impairment at December 31, 2011 as investments were under performing due to slow business activity in Canada's Northern most region as well as sustained low natural gas prices. The Corporation tested the investments for impairment using a value in use calculation with a high risk adjusted discount rate of 21.75% and recognized an impairment loss of $831,000 and $864,000 for the equity investments in Mackenzie Valley and MDIOS respectively.

The table below represents book value financial information of the Company's equity investments and jointly controlled entities:

(000's)		Total Assets	Total Liabilities	Revenue		Profit or (Loss)
Mackenzie Valley (49% equity investee)	$	1,200	290	113	$	57
MDIOS (39% equity investee)		1,081	869	6,748		(1)
AOGS (50% joint venture)		1,216	846	172		(414)
December 31, 2010	$	3,497	2,005	7,033	$	(358)

(000's)	Total Assets

16. Other Assets

The Corporation's other assets consists of a 25 year prepaid lease for a building and land to accommodate a portion of the Corporation's manufacturing operations in Kamloops. The amount expensed during the year ended December 31, 2011 related to the prepaid lease was $123,000 with 23 years remaining.

17. Loans and Borrowings

(000's)	December 31 2011	December 31 2010	January 1 2010
Committed credit facility	$ 49,524	$ -	$ -
Operating lines of credit	-	10,200	6,900
Senior secured revolving term facility	-	24,300	29,100
Notes payable	6,987	7,590	8,505
Vehicle and equipment financing	$ 4	46	197
	$ 56,515	$ 42,136	$ 44,702
Less current portion	(1,281)	(11,773)	(8,839)
	$ 55,234	$ 30,363	$ 35,863

The carrying value of Horizon's debt approximates its fair value, as the majority of the debt bears interest at variable rates.

On June 30, 2011, the Corporation entered into a new revolving credit facility that replaced the previous operating line of credit and senior secured revolving term facility. The new facility is an $80,000,000 three year committed credit facility, extendable annually at the Corporation's request and includes a $35,000,000 accordion feature available upon request by the Corporation and subject to review and approval by the lenders. The committed credit facility is secured by a $150 million first fixed and floating charge debenture over all assets of the Corporation and its wholly owned subsidiaries. Interest is payable at the bank prime rate plus 1.00% or borrowing on a banker's acceptance basis. At December 31, 2011 the Corporation had borrowed $35,000,000 on a banker's acceptance basis at a rate of 3.5% and $14,524,000 on a prime rate plus 1% basis. The Corporation did not have any borrowings on a banker's acceptance bases as at December 31, 2010 and January 1, 2010 as all amounts were borrowed on a prime rate plus 1% basis. Amounts borrowed under the facility become due on June 30, 2014, the renewal date of the facility.

As at December 31, 2011, the Corporation was in compliance with all financial and non-financial covenants. The calculations of the Corporation's financial covenants are shown below:

Debt Covenants	December 31, 2011
Debt (1) to EBITDAS (2)(3) – must be less than 2.0:1	0.55:1
Interest coverage(4) – must be greater than 3.0:1	58.5:1

(1) Debt is calculated as the sum of current and long-term portions of loans and borrowings.

(2) EBITDAS (Earnings before interest, taxes, depreciation, amortization, impairment, gain/loss on disposal of property, plant and equipment, and share based compensation) is not a recognized measure under IFRS. Management believes that in addition to net earnings, EBITDAS is a useful supplemental measure as it provides an indication of the Corporation's ability to generate cash flow in order to fund working capital, service debt, pay current income taxes and fund capital programs, and it is regularly provided to and reviewed by the Chief Operating Decision Maker. Horizon's method of calculating EBITDAS and operating earnings (loss) may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities.

(3) Debt to EBITDAS is calculated as the ratio of debt to trailing 12 months EBITDAS.

(4) Interest coverage is calculated as the ratio of trailing 12 months EBITDAS to 12 months trailing interest expense on loans and borrowings.

17. Loans and Borrowings (continued)

Notes Payable

Horizon incurred $10,850,000 of notes payable during 2009 as part of the purchase price for drill camp equipment and generators. The notes payable are non-interest bearing and are repayable over a term of up to 6 years. Actual payments on the note are dependent on utilization levels of specific equipment with minimum repayments of at least $1,000,000 per year. The fair value of these notes was initially measured at $8,771,000 using a discount rate of 9% which was consistent with market rates for debt with similar characteristics at the time. At December 31, 2011 these notes were recorded at an amortized cost amount of $6,987,000.

Principal Repayments

(000's)	Amount
2012	$ 1,281
2013	1,000
2014	50,523
2015	3,711
2016 and beyond	-
	$ 56,515

18. Provisions and contingencies

(a) Provisions include constructive site restoration obligations for camp projects to restore lands to previous condition when camp facilities are dismantled and removed at the end of their useful lives.

(000's)	December 31, 2011	December 31, 2010	January 1, 2010
Balance, beginning of period	$ 1,223	$ 1,169	$ 1,115
Accretion	60	54	54
Balance, end of period	$ 1,283	$ 1,223	$ 1,169

The estimated present value of rehabilitating the sites at the end of their useful lives has been estimated using existing technology, at current prices, and discounted using a risk free rate. The timing of these payments is dependent on various factors, such as the estimated lives of the equipment and industry activity in the region, but is anticipated to occur near 2029 and 2032.

(b) The Corporation has outstanding bank letters of credit as follows:

Maturity date	Amount *(000's)*
January 16, 2012	$ 25
July 2, 2012	84
June 1, 2012	150
November 2, 2012	74
November 12, 2012	564

(c) The Corporation rents premises and equipment under multiple operating lease contracts with varying expiration dates. The minimum lease payments under these leases over the next five years are as follows:

(000's)	Amount
2012	$ 2,129
2013	1,869
2014	1,728
2015	1,321
2016	1,681
	$ 8,728

19. Deferred tax assets and liabilities

(a) Unrecognized deferred tax assets and liabilities have not been recognized in respect of the following items:

(000's)	December 31, 2011	December 31, 2010
Deductible (Taxable) temporary differences	$ 51	$ -
Tax losses	279	230
Balance, end of period	$ 330	$ 230

Tax losses not recognized expire in 2029 and beyond. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the subsidiary of the Corporation can utilize the benefits.

(b) The Corporation has net operating losses for Canadian tax purposes of $3,572,000 available to reduce future taxable income in Canada, which will expire as follows:

(000's)	Amount
2012	$ -
2013	-
2014	-
2015	-
2016 and beyond	3,572
	$ 3,572

The components of net deferred tax asset (liability) recognized are as follows:

	Assets		Liabilities		Net	
(000's)	2011	2010	2011	2010	2011	2010
Property, plant and equipment	$ 1,163	$ 1,582	$ (18,225)	$ (15,831)	$ (17,062)	$ (14,249)
Intangibles	1,515	1,120	(2,178)	(3,543)	(663)	(2,423)
Goodwill	3,023	3,264	(151)	(151)	2,872	3,113
Deferred partnership income	-	-	(7,753)	(1,393)	(7,753)	(1,393)
Loss carry forwards	893	71	-	-	893	71
Share issue costs	94	421	-	-	94	421
	$ 6,688	$ 6,458	$ (28,307)	$ (20,918)	$ (21,619)	$ (14,460)

Movements in temporary differences during the year are as follows:

(000's)	January 1, 2010	Recognized in profit and loss	December 31, 2010	Recognized in profit and loss	December 31, 2011
Property, plant and equipment	$ (12,288)	$ (1,961)	$ (14,249)	$ (2,813)	$ (17,062)
Intangibles	(4,173)	1,750	(2,423)	1,760	(663)
Goodwill	3,250	(137)	3,113	(241)	2,872
Deferred partnership income	2,293	(3,686)	(1,393)	(6,360)	(7,753)
Loss carry forwards	71	-	71	822	893
Share issue costs	955	(534)	421	(327)	94
	$ (9,892)	$ (4,568)	$ (14,460)	$ (7,159)	$ (21,619)

20. Share Capital

(a) Authorized

Unlimited number of voting common shares without nominal or par value
Unlimited number of preferred shares issuable in series

(b) Issued

	Number		Amount *(000's)*
Balance at January 1, 2010	105,214,992	$	245,353
Balance at December 31, 2010	105,214,992		245,353
Reduction of capital	-		(78,000)
Share options exercised	1,536,659		6,085
Balance at December 31, 2011	106,751,651	$	173,438

The Corporation was granted approval from the Toronto Stock Exchange to renew its normal course issuer bid ("NCIB") to repurchase up to a maximum of 6,985,634 common shares of the Corporation over the period from September 14, 2010 to September 13, 2011. All purchases pursuant to the NCIB were made through the facilities of the Toronto Stock Exchange with all shares purchased to be cancelled. No shares were repurchased during the time period provided under the renewed program.

At the May 5, 2011 Annual and Special Meeting of Shareholders, a reduction of capital was approved by way of a special resolution, which eliminated the deficit of $78,000,000 as at January 1, 2011 and reduced share capital. Elimination of the deficit simplifies the Corporation's statement of financial position and provides a more representative view of the actual accumulated operating results, as the majority of the deficit had been ate hamuu TLomoulat08.naE

20. Share Capital (continued)

(c) Share option plan (continued)

	Year ended December 31, 2011		Year ended December 31, 2010	
	Exercisable options	Weighted average exercise price	Exercisable options	Weighted average exercise price
Balance, beginning of year	3,939,977	$ 2.88	2,810,488	$ 3.29
Vested	937,830	1.55	1,390,489	2.11
Expired	(132,333)	2.96	(261,000)	3.24
Exercised	(1,536,659)	2.90	-	-
Balance, end of year	3,208,815	$ 2.47	3,939,977	$ 2.88

The exercise prices for options outstanding at December 31, 2011 are as follows:

	Total options outstanding			Exercisable options	
Exercise price per share	Number	Weighted average exercise price per share	Weighted average remaining contractual life in years	Number	Weighted average exercise price per share
$1.35 to $1.49	2,133,007	$ 1.37	2.9	1,330,151	$ 1.37
$1.50 to $1.74	70,000	1.61	3.2	23,332	1.61
$1.75 to $2.00	80,000	1.84	3.3	26,666	1.84
$2.01 to $3.25	962,200	3.20	0.7	908,666	3.23
$3.26 to $3.50	915,000	3.34	4.0	915,000	3.34
$3.51 to $4.00	5,000	3.56	0.4	5,000	3.56
$4.01 to $4.55	51,000	4.52	4.6	-	-
	4,216,007	$ 2.27	2.7	3,208,815	$ 2.47

The Corporation calculated the fair value of the share options granted using the Black-Scholes pricing model to estimate the fair value of the share options issued at the date of grant. The weighted average fair market value of all options granted during the year and the assumptions used in their determination are as follows:

(000's)	December 31, 2011	December 31,2010
Weighted average fair value per option	$ 1.73	$ 1.03
Weighted average forfeiture rate	6.94%	7.63%
Weighted average grant price	$ 4.50	$ 2.06
Weighted average expected life	3.00 years	3.00 years
Weighted average risk free interest rate	1.52%	1.96%
Weighted average dividend yield rate	3.55%	0%
Weighted average volatility	68.6%	76.5%

Expected volatility is estimated by considering historic average share price volatility. For the twelve months ended December 31, 2011, share based compensation for share options included in net earnings amounted to $598,000 (December 31, 2010 - $1,107,000).

21. Contributed Surplus

(000's)		
Balance January 1, 2010	$	10,339
Share based compensation expense		1,107
Balance December 31, 2010		11,446
Share based compensation expense		598
Effect of shares options exercised		(1,623)
Balance December 31, 2011	$	10,421

22. Earnings Per Share

The calculation of basic earnings per share for the twelve months ended December 31, 2011 was based on the total profit attributable to common shareholders of $44,822,000 (December 31, 2010 –$16,430,000).

A summary of the common shares used in calculating earnings per share for the twelve months ended December 31, 2011 is as follows:

	2011	2010
Number of common shares, beginning of period	105,214,992	105,214,992
Weighted average effect of share options exercised	786,969	-
Weighted average common shares outstanding – basic	106,001,961	105,214,992
Effect of share purchase options(1)	2,219,911	203,884
Weighted average common shares outstanding – diluted	108,221,871	105,418,876

(1) The Corporation utilizes the treasury stock method for calculating the dilutive effect of share purchase options when the average market price of the Corporation's common stock during the period exceeds the exercise price of the option

For the twelve months ended December 31, 2011, nil share options (December 31, 2010 – 46,634) were excluded from the calculation of weighted average common shares outstanding - diluted as the result would be anti-dilutive.

23. Financial Risk Management

(a) Overview

The Corporation is exposed to a number of different financial risks arising from normal course business operations as well as through the Corporation's financial instruments comprised of cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings. These risk factors include credit risk, liquidity risk, and market risk, including currency exchange risk and interest rate risk.

The Corporation's risk management practices include identifying, analyzing, and monitoring the risks faced by the Corporation. The following presents information about the Corporation's exposure to each of the risks and the Corporation's objectives, policies, and processes for measuring and managing risk.

(b) Credit risk

Credit risk is the risk that a customer will be unable to pay amounts due, causing a financial loss; as a result, the Corporation's maximum exposure to credit risk is the amount of trade and other receivables and cash and cash equivalents. The Corporation's practice is to manage credit risk by examining each new customer individually for credit worthiness before the Corporation's standard payment terms are offered. The Corporation's review may include financial statement review, credit references, or bank references. Customers that lack credit worthiness transact with the Corporation on a prepayment only basis.

The Corporation constantly monitors individual customer trade receivables, taking into consideration industry, aging profile, maturity, payment history, and existence of previous financial difficulties in assessing credit risk. A formal review is performed each month for each subsidiary, focusing on amounts which have been outstanding for periods which are considered abnormal for each customer. The Corporation establishes an allowance for doubtful accounts for specifically identifiable customer balances which are assessed to have credit risk exposure.

The following shows the aged balances of trade and other receivables:

(000's)	December 31, 2011	December 31, 2010
Neither impaired nor past due	$ 32,975	$ 24,805
Impaired	156	633
Outstanding 31-60 days	18,319	10,599
Outstanding 61-90 days	10,821	3,421
Outstanding more than 90 days	5,519	4,279
Total	67,790	43,737
Allowance for doubtful accounts	(156)	(633)
Accrued revenue	14,946	7,730
Other receivables	904	1,169
Total trade and other receivables	$ 83,484	$ 52,003

In the twelve months ended December 31, 2011, the Corporation provided an allowance for $240,000 of receivables aged greater than 90 days and incurred an additional bad debt expense of $1,699,000 that had not previously been allowed for. The Corporation also applied $246,000 of allowance for doubtful accounts against the associated receivable balance. As at February 22, 2012, the Corporation has collected $3,799,000 on amounts outstanding more than 90 days.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation believes that it has access to sufficient capital through internally generated cash flows and committed credit facilities to meet current spending forecasts.

23. Financial Risk Management (continued)

(c) Liquidity risk (continued)

To manage liquidity risk, the Corporation forecasts operational results and capital spending on a regular basis. Actual results are compared to these forecasts to monitor the Corporation's ability to continue to meet spending forecasts. On June 30, 2011, the Corporation secured an $80,000,000 three year committed credit facility, extendable annually at the Corporations request and includes a $35,000,000 accordion feature available upon request by the Corporation and subject to review and approval by the lenders, secured by a $150,000,000 first fixed and floating charge debenture over all assets of the Corporation and its wholly owned subsidiaries. Interest is payable at the bank prime rate plus 1.00%, or 4.00% at December 31, 2011.

The following shows the timing of cash outflows relating to trade and other payables and loans and borrowings:

	December 31, 2011			December 31, 2010		
	Trade and other payables(1)	Loans and borrowings(2)	Total	Trade and other payables(1)	Loans and borrowings(2)	Total
Year 1	$ 46,213	$ 1,281	$ 47,494	$ 27,555	$ 11,773	$ 39,328
Year 2	-	1,000	1,000	-	6,067	6,067
Year 3	-	50,523	50,523	-	13,150	13,150
Year 4	-	3,711	3,711	-	8,088	8,088
Year 5 and beyond	1,283	-	1,283	1,223	3,058	4,281
	$ 47,496	$ 56,515	$ 104,011	$ 28,778	$ 42,136	$ 70,914

(1) Trade and other payables include trade and other payables, income taxes payable, and provisions. Trade

24. Capital Management

The Corporation's main objective is to build a profitable, growth-oriented company. Therefore, the Corporation's primary capital management objective is to maintain a conservative balance sheet to maintain investor, creditor, and market confidence and to sustain future development of the business.

The Corporation monitors capital through two key ratios: total loans and borrowings to EBITDAS[(1)] and total loans and borrowings to total loans and borrowings plus shareholders' equity.

Total loans and borrowings to EBITDAS[(1)] is calculated as current loans and borrowings plus long-term loans and borrowings divided by trailing 12 months EBITDAS[(1)]. Total loans and borrowings to EBITDAS[(1)] is monitored from both a historical and anticipated EBITDAS[(1)] perspective.

Total loans and borrowings to total loans and borrowings plus shareholders equity is calculated as current loans and borrowings plus long-term loans and borrowings divided by current loans and borrowings plus long-term loans and borrowings plus shareholders' equity.

The Corporation's strategy during the twelve months ended December 31, 2011, which was unchanged from 2010, which was to maintain an appropriate level of loans and borrowings in comparison to EBITDAS[(1)] and total loans and borrowings plus shareholders' equity.

(000's)	December 31, 2011	December 31, 2010
Statement of financial position components of ratios		
Current loans and borrowings[(2)]	$ 1,281	$ 11,773
Loans and borrowings[(2)]	55,234	30,363
Total loans and borrowings	56,515	42,136
Shareholders' equity	216,069	178,799
Total loans and borrowings plus shareholders' equity	$ 272,584	$ 220,935
Statement of comprehensive income components of ratios (trailing 12 months)		
Operating earnings	$ 62,723	$ 25,855
Depreciation	21,420	16,645
Amortization	8,303	8,533
Impairment loss	8,071	-
Loss on disposal of property, plant and equipment	1,521	343
Share based compensation	598	1,107
EBITDAS[(1)]	$ 102,636	$ 52,483
Total loans and borrowings to EBITDAS[(1)]	0.55	0.80
Total loans and borrowings to total loans and borrowings plus shareholders' equity	0.21	0.19

(1) EBITDAS (Earnings before interest, taxes, depreciation, amortization, impairment, gain/loss on disposal of property, plant and equipment, and share based compensation) is not a recognized measure under IFRS. Management believes that in addition to net earnings, EBITDAS is a useful supplemental measure as it provides an indication of the Corporation's ability to generate cash flow in order to fund working capital, service debt, pay current income taxes and fund capital programs, and it is regularly provided to and reviewed by the Chief Operating Decision Maker. Horizon's method of calculating EBITDAS and operating earnings (loss) may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities.

(2) The Corporation's loans and borrowings include the committed credit facility and notes payable. The Corporation's variable-rate committed credit facility approximates its carrying value, as it is at a floating market rate of interest. The Corporation's notes payables are non-interest bearing without a fix term of repayment and have been initially measured at fair value.

25. Operating segments

The Corporation operates in Canada and the US through three business segments: Camps & Catering, Matting, and Marine Services. Camps & Catering includes camp rental and catering services, as well as the manufacture, sale, and repair of camps. Matting includes mat rental, installation, and fleet management services, as well as the manufacture and sale of mats. Marine Services includes barge and barge camp rental and marine transportation of equipment and supplies in Canada's northern regions.

Information regarding the results of all segments is included below. Inter-segment pricing is determined on an arm's length basis.

Twelve months ended December 31, 2011 *(000's)*	Camps & Catering	Matting	Marine Services	Corporate	Inter-segment Eliminations	Total
Revenue	$ 340,027	$ 68,385	$ 4,101	$ -	$ (9,520)	$ 402,993
EBITDAS(1)	92,378	17,918	1,389	(8,971)	(78)	102,636
Depreciation and amortization	22,509	6,508	445	345	(84)	29,723
Impairment loss	8,071	-	-	-	-	8,071
Loss on disposal of assets	1,426	95	-	-	-	1,521
Share based compensation	323	49	5	221	-	598
Operating earnings (loss)	60,049	11,266	939	(9,537)	6	62,723
Total assets	312,340	35,632	6,662	2,503	-	357,137
Capital expenditures	91,855	8,966	14	680	(481)	101,034

Twelve months ended December 31, 2010 *(000's)*	Camps & Catering	Matting	Marine Services	Corporate	Inter-segment Eliminations	Total
Revenue	$ 197,958	$ 37,365	$ 6,718	$ -	$ (2,783)	$ 239,258
EBITDAS(1)	47,176	10,810	2,435	(7,842)	(96)	52,483
Depreciation and amortization	18,237	5,509	1,187	322	(77)	25,178
Loss on disposal of assets	252	79	-	12	-	343
Share based compensation	578	98	9	422	-	1,107
Operating earnings (loss)	28,109	5,124	1,239	(8,598)	(19)	25,855
Total assets	239,531	28,626	5,497	4,183	-	277,837
Capital expenditures	36,484	4,657	297	326	(203)	41,561

The Corporation has two major customer in the Camps & Catering segment which generated a combined 42% of total revenues for the year ended December 31, 2011 (December 31, 2010 – 24%)

(1) EBITDAS (Earnings before interest, taxes, depreciation, amortization, impairment, gain/loss on disposal of property, plant and equipment, and share based compensation) is not a recognized measure under IFRS. Management believes that in addition to net earnings, EBITDAS is a useful supplemental measure as it provides an indication of the Corporation's ability to generate cash flow in order to fund working capital, service debt, pay current income taxes and fund capital programs, and it is regularly provided to and reviewed by the Chief Operating Decision Maker. Horizon's method of calculating EBITDAS may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities.

26. Related Parties

(000's)		December 31, 2011		December 31, 2010
Equity accounted investees				
Sales		257		3,919
Recovery of administrative overhead		-		284
Included in accounts receivable		-		235
Joint venture				
Purchases	$	-	$	52
Sales		132		113
Recovery of administrative overhead		23		60
Included in accounts receivable		-		-
Key management personnel interests				
Purchases	$	30	$	43
Sales		783		1,181
Included in accounts receivable		30		1
Included in accounts payable		-		-

Key management personnel include directors and officers of the Corporation. All related party transactions are in the normal course of operations and have been measured at the agreed to exchange amounts, which is the amount of consideration established and agreed to by the related parties and which is similar to those negotiated with third parties. All outstanding balances are to be settled with cash, and none of the balances are secured.

Key management personnel compensation for the year ended December 31, 2011 and 2010 is comprised as follows:

(000's)		December 31, 2011		December 31, 2010
Short-term employee benefits	$	2,839	$	2,627
Post-employment benefits		26		26
Termination benefits		-		-
Other long-term benefits		-		-
Share based compensation		224		324

27. Significant Subsidiaries

The Corporation operates through three significant subsidiaries based on business line

		Ownership Interest (%)		
Subsidiary Name	Country of Incorporation	December 31, 2011	December 31, 2010	January 1, 2010
Horizon North Camp & Catering Partnership	Canada	100	100	100
Swamp Mats Inc.	Canada	100	100	100
Horizon Marine Inc.	Canada	100	100	100

28. Transition to IFRS

The Corporation adopted IFRS effective January 1, 2010 ("the transition date") and has prepared its opening IFRS statement of financial position as at that date. Prior to the adoption of IFRS the Corporation prepared its financial statements in accordance with Canadian GAAP.

In preparing its opening IFRS statement of financial position, the Corporation has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the financial position and financial performance is set out in the following notes and tables.

(a) Elected exemptions from full retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1, "First time Adoption of International Financial Reporting Standards", the Corporation has applied certain of the optional exemptions from full retrospective application of IFRS. The optional exemptions applied are described below.

(i) Business combinations

The Corporation has applied the business combinations exemption in IFRS 1 to not apply IFRS 3, "Business Combinations" retrospectively to past business combinations. Accordingly, the Corporation has not restated business combinations that took place prior to the transition date.

(ii) Property, plant and equipment

The Corporation has elected not to apply the fair value exemption in IFRS 1. Instead, the Corporation has elected to apply IAS 16 retrospectively to its property, plant and equipment by using historic cost amounts as at January 1, 2010.

(iii) Share based compensation transactions

The Corporation has elected to apply IFRS 2, "Share based compensation" to equity instruments granted after November 7, 2002, which have not vested by the transition date.

(iv) Borrowing costs

The Corporation has applied the borrowing costs exception in IFRS 1 and will not apply IAS 23 "Borrowing Costs" with full retrospection. The Corporation will capitalize borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after the transition date.

(v) Decommissioning liabilities included in the cost of property, plant and equipment

The Corporation has elected to apply the IFRS 1 exemption to measure the liability, in scope of IFRIC 1 "Changes in existing decommissioning, restoration and similar liabilities". The decommissioning liability was calculated at the date of transition and it was assumed that the same liability (adjusted only for the time value of money) existed when the asset was first acquired/constructed.

28. Transition to IFRS (continued)

(b) Mandatory exceptions to retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1 the Corporation has applied a mandatory exception from full retrospective application of IFRS. Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the Corporation under Canadian GAAP are consistent with those under IFRS.

(c) Changes to the cash flow

Interest paid and received and income taxes paid have moved into the body of the Statement of Cash Flows, whereas they were previously disclosed as supplementary information. There were no other material adjustments to the cash flow statement as a result of the conversion to IFRS.

(d) Financial statement presentation

The following are reconciliations of retained earnings and comprehensive income under Canadian GAAP and IFRS for the respective periods and statement of financial position dates identified. The Corporation has changed the terms, descriptions, and presentation used throughout the financial statements to conform to those generally used under IFRS.

Consolidated statement of financial position
As at December 31, 2009 and January 1, 2010

HORIZON NORTH
Logistics Inc

(000's) Canadian GAAP Accounts	Note	Previous Canadian GAAP	Effect of Transition to IFRS	IFRS	IFRS Accounts
Assets					**Assets**
Current assets:					**Current assets:**
Cash and cash equivalents		$ 3,724	$ -	$ 3,724	Cash and cash equivalents
Accounts receivable	(i)	23,218	3,396	26,614	Trade and other receivables
Inventory	(i)	11,834	(2,536)	9,298	Inventories
Prepaid expenses		1,830	-	1,830	Prepayments
Income taxes receivable		990	-	990	Income taxes receivable
		41,596	860	42,456	
					Non-current assets:
Property, plant and equipment, net	(ii),(iii)	156,426	(10,378)	146,048	Property, plant and equipment
Intangible assets, net		35,320	-	35,320	Intangible assets
Goodwill		2,136	-	2,136	Goodwill
Long-term investments		2,463	-	2,463	Investments in equity accounted investees
Future income tax assets	(v)	-	8,434	8,434	Deferred tax assets
Other assets		3,061	-	3,061	Other assets
		199,406	(1,944)	197,462	
		$ 241,002	$ (1,084)	$ 239,918	
Liabilities and Shareholders' Equity					**Liabilities and Shareholders Equity**
Current liabilities:					**Current liabilities:**
Operating lines of credit		$ 6,900	$ (6,900)	$ -	Current portion of loans and borrowings
Accounts payable and accrued liabilities		12,391	-	12,391	Trade and other payables
Deferred revenue		2,068	-	2,068	Deferred revenue
Current portion of long-term debt		1,939	6,900	8,839	Current portion of loans and borrowings
		23,298	-	23,298	
					Non-current liabilities:
Asset retirement obligation	(iii)	-	1,169	1,169	Provisions
Long-term debt		35,863	-	35,863	Loans and borrowings
Future income tax liability	(v)	12,687	5,639	18,326	Deferred tax liabilities
		71,848	6,808	78,656	
Shareholders' equity:					**Shareholders' equity:**
Share capital		245,353	-	245,353	Share capital
Contributed surplus		11,812	(1,473)	10,339	Contributed surplus
Deficit		(88,011)	(6,419)	(94,430)	Deficit
		169,154	(7,892)	161,262	
		$ 241,002	$ (1,084)	$ 239,918	

Consolidated statement of comprehensive income
Twelve months ended December 31, 2010

HORIZON NORTH
Logistics Inc

(000's) Canadian GAAP Accounts	Note	Previous Canadian GAAP	Effect of Transition to IFRS	IFRS	IFRS Accounts
Revenue	(i)	$ 242,654	$ (3,396)	$ 239,258	**Revenue**
Expenses:					
Cost of goods sold	(i)	54,361	(2,536)	51,825	Direct costs
Operating		123,730	-	123,730	Direct costs
General and administrative		11,253	-	11,253	Selling & administrative
Stock based compensation	(iv)	1,171	(64)	1,107	Share based compensation
Depreciation of property, plant and equipment	(ii),(iii)	17,356	(711)	16,645	Depreciation of property, plant and equipment
Amortization of intangible assets		8,533	-	8,533	Amortization of intangible assets
Gain on disposal of property, plant and equipment		343	-	343	Gain on disposal of property, plant and equipment
Foreign exchange gain		(33)	-	(33)	Direct costs
Operating earnings		25,940	(85)	25,855	Operating earnings
Interest income		(39)	-	(39)	Finance costs
Interest expense on operating lines of credit		331	-	331	Finance costs
Interest expense on long-term debt		1,250	-	1,250	Finance costs
Accretion expense	(iii)	314	54	368	Finance costs
Loss on equity investments		212	-	212	Share of loss in equity accounted investees
Earnings before income taxes		23,872	(139)	23,733	Profit before tax
Income taxes:					
Current tax expense		2,735	-	2,735	Current tax expense
Future tax expense	(v)	4,595	(27)	4,568	Deferred tax expense
		7,330	(27)	7,303	Income tax expense
Total profit and comprehensive income (loss)		$ 16,542	$ (112)	$ 16,430	Total profit and comprehensive income (loss)
Earnings per share:					**Earnings per share:**
Basic		$ 0.16	$ -	$ 0.16	Basic
Diluted		$ 0.16	$ -	$ 0.16	Diluted

Consolidated statement of financial position
As at December 31, 2010

HORIZON NORTH
Logistics Inc

(000's) Canadian GAAP Accounts	Note		Previous Canadian GAAP		Effect of Transition to IFRS		IFRS	IFRS Accounts
Assets								**Assets**
Current assets:								**Current assets:**
Accounts receivable	(i)	$	52,003	$	-	$	52,003	Cash and cash equivalents
Inventory	(i)		13,726		-		13,726	Trade and other receivables
Prepaid expenses			8,953		-		8,953	Inventories
Income taxes receivable			-		-		-	Income taxes receivable
			74,682		-		74,682	
								Non-current assets:
Property, plant and equipment, net	(ii),(iii)		172,151		(9,667)		162,484	Property, plant and equipment
Intangible assets, net			26,892		-		26,892	Intangible assets
Goodwill			2,136		-		2,136	Goodwill
Long-term investments			2,251		-		2,251	Investments in equity accounted investees
Future income tax assets	(v)		-		6,458		6,458	Deferred tax assets
Other assets			2,934		-		2,934	Other assets
			206,364		(3,209)		203,155	
		$	281,046	$	(3,209)	$	277,837	
Liabilities and Shareholders' Equity								**Liabilities and Shareholders Equity**
Current liabilities:								**Current liabilities:**
Bank indebtedness		$	834	$	-	$	834	Bank indebtedness
Operating lines of credit		$	10,200	$	(10,200)	$	-	Current portion of loans and borrowings
Accounts payable and accrued liabilities			25,377		-		25,377	Trade and other payables
Deferred revenue			7,206		-		7,206	Deferred revenue
Income taxes payable			1,344		-		1,344	
Current portion of long-term debt			1,573		10,200		11,773	Current portion of loans and borrowings
			46,534		-		46,534	
								Non-current liabilities:
Asset retirement obligation	(iii)		-		1,223		1,223	Provisions
Long-term debt			30,363		-		30,363	Loans and borrowings
Future income tax liability	(v)		17,282		3,636		20,918	Deferred tax liabilities
			94,179		4,859		99,038	
Shareholders' equity:								**Shareholders' equity:**
Share capital			245,353		-		245,353	Share capital
Contributed surplus			12,983		(1,537)		11,446	Contributed surplus
Deficit			(71,469)		(6,531)		(78,000)	Deficit
			186,867		(8,068)		178,799	
		$	281,046	$	(3,209)	$	277,837	

28. Transition to IFRS (continued)

(i) Revenue recognition

Identified construction contract revenue is recognized via the percentage of completion method. Previously under Canadian GAAP, select manufacturing project revenue was treated as a sale of goods and recognized as when the construction was completed and delivered. Therefore, an adjustment was recorded to reflect the change in timing of revenue recognition. The revenue recognition adjustment had the effect of increasing current assets and reducing the deficit by $860,000 for the twelve months ended December 31, 2010.

(ii) Impairment

A first-time adopter is required to comply with IAS 36 at the date of transition. At this date, the first-time adopter:

- performs an impairment test on goodwill and intangible assets with indefinite useful lives, regardless of whether an indication of impairment exists;
- determines whether there are any indications that other assets, groups of assets, or CGUs are impaired at the date of transition;
- performs an impairment test on assets, groups of assets, or CGUs for which indications of impairment have been identified;
- recognizes any impairment losses in retained earnings; and
- reverses any impairment losses that no longer exist at that date except for previously recognized impairment losses on goodwill.

On transition to IFRS, the Corporation performed impairment testing for its goodwill and, as a result of the identification of impairment indicators, on the Marine CGU. To test for impairment, IFRS requires a discounted cash flow analysis when calculating value in use, whereas Canadian GAAP impairment tests use undiscounted cash flows as a preliminary step. Upon adoption of IFRS, an impairment loss was recognized as a result of the requirement for a discounted cash flow analysis.

As a result of the Corporation’s impairment tests, an impairment charge of $11,351,000 was recognized against property, plant and equipment on transition to IFRS in relation to the Corporation’s Marine CGU. The impairment had the effect of reducing depreciation on property, plant and equipment by $763,000 for the twelve months ended December 31, 2010.

A value in use calculation was used to support the recoverable amount for the marine segment. In determining value in use, the projected future cash flows of the marine CGU are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. The CGU’s future cash flows will be impacted significantly by the occurrence and the timing of the development of the Mackenzie valley gas pipeline. The value in use calculation incorporates several scenarios which management considers likely in this respect. Cash flows are determined for the period until 2024, which represents the average remaining life of the CGU’s key assets, assuming a growth rate of revenues of 1% for the period after the completion of the Mackenzie valley pipeline in each scenario The Corporation used a risk adjusted discount rate of 21.75% in its value in use calculation. Any negative change in discount rate, expected cash flows and assumptions about occurrence and timing of the development of the Mackenzie valley pipeline will cause the Marine CGU’s recoverable amount to be less than its carrying value.

(iii) Site restoration obligation

Under IFRS, a constructive obligation exists to restore several sites for which the Corporation has camp rental operations. Under previous Canadian GAAP, the cost of restoration was not recognized as an asset retirement obligation as there was no legal obligation to restore the site. Accretion expense of $54,000 and depreciation of $52,000 was recorded for the twelve months ended December 31, 2010.

28. Transition to IFRS (continued)

(iv) Share based compensation

The Corporation recognizes a share based compensation expense for the fair value of stock options granted under both Canadian GAAP and IFRS. However, the timing and amount of the expense may differ.

Under Canadian GAAP, share based compensation were treated as one grant and recognized as an expense as the grant vested. Under IFRS, each vesting tranche is treated as a separate grant with a separate vesting date and fair value. The Corporation has included a forfeiture estimate in its share based compensation calculation, as is required by IFRS. A forfeiture estimate was not required, or included, under Canadian GAAP and instead forfeitures were recognized as they occurred.

The Corporation's share based compensation was reduced by $64,000 for the twelve months ended December 31, 2010.

(v) Income tax

The carrying amounts used in the determination of the Corporation's deferred tax assets and liabilities were directly impacted by the IFRS transition adjustments noted above. Upon transition to IFRS, the presentation of the Corporation's deferred tax assets and liabilities has been revised to separate deferred tax assets from deferred tax liabilities.

Corporate Information

Directors

Bob German
Calgary, Alberta

Roderick Graham(1)(2)
Calgary, Alberta

Russell Newmark(1)(2)
Calgary, Alberta

Ric Peterson(3)
Calgary, Alberta

Dean Swanberg(3)
Grande Prairie, Alberta

Dale E. Tremblay(1)(2)(3)
Calgary, Alberta

(1) Audit Committee Member
(2) Corporate Governance and Compensation Committee Member
(3) Health, Safety and Environment Committee Member

Corporate Office

1600, 505-3rd Street S.W.
Calgary, Alberta
T2P 3E6
P 403 517-4654
F 403 517-4678

Website

www.horizonnorth.ca

Officers

Bob German
President and Chief Executive Officer

Scott Matson
Vice President Finance and Chief Financial Officer

Bill Anderson
Vice President Health, Safety and Environment

Jan Campbell
Corporate Secretary

Legal Counsel

Borden Ladner Gervais LLP
Calgary, Alberta

Auditor

KPMG LLP
Calgary, Alberta

Stock Exchange Listing

Toronto Stock Exchange
Symbol: HNL

Transfer Agent

CIBC Mellon Trust Company
Calgary, Alberta

HORIZON NORTH

Logistics Inc