



HORIZON NORTH
Logistics Inc

Annual Report 2014

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Information on Annual General Meeting

The Annual General Meeting of the Shareholders of Horizon North Logistics Inc. will be held on April 30, 2015 at 3:00 p.m. (local time) in the Strand/Tivoli Room, Metropolitan Conference Centre, 333-4th Avenue SW., Calgary, Alberta.

Shareholders are encouraged to attend and those unable to do so are requested to complete and submit the Instrument of Proxy at their earliest convenience.

President's Letter to Shareholders

My name is Rod Graham--President and CEO of Horizon North Logistics Inc. ("Horizon North" or "Company"). I have had the pleasure of being involved with Horizon North since 2007, when I became a member of the Board of Directors. Over the past seven years, I have taken on increasing responsibilities serving in the capacities of Audit Chair, Lead Director and finally Chairman of the Board. As part of our CEO succession planning in early 2014, I resigned from the Board and joined the executive team as a Senior Vice President. In November 2014, upon the retirement of Bob German, I accepted the role of President, CEO and Director of Horizon North.

I would like to thank Bob German, the former CEO and President of Horizon North, for his hard work and dedication since Horizon North's inception in 2006. Bob took over the CEO's chair during a very challenging environment in 2010 and did an admirable job of stewarding Horizon North to its current size and product offering. On behalf of the Board, Horizon North employees and myself, I wish Bob well in his future endeavors.

A confluence of events occurred to make the year 2014 less than optimal for all of Horizon North's stakeholders. Customer project delays, internal integration disappointments and a precipitous drop in crude oil pricing over the second half of the year all impacted Horizon North's financial metrics, resulting in a 14% drop in revenue, a 26% contraction in EBITDAS and net earnings down 44% in 2014 as compared to the prior year 2013.

Historically, we have maintained a very conservative debt load. Lower revenue and reduced cash flow, and an aggressive 2014 capex program, that was partially directed towards support of long-term land banking/infrastructure strategies in Kitimat and Kamloops British Columbia and Grande Prairie, Alberta, resulted in long term loans and borrowings increasing to \$146.4 million at year end 2014. As a result, at year's end, our Balance Sheet was far more levered than in past periods.

Horizon North is presently at an inflection point. Commodity prices in early 2015 are under considerable pressure with oil pricing currently in the \$40-\$55 per barrel range, a six year low. A number of our larger customers have delayed or deferred their capital spending and a tone of extreme caution has pervaded our sector which has significant implications for our business. While we have all seen these swings in the past, there is no clear consensus on how long this trough will last. With this challenging macro environment, we are undertaking structural changes in our business that will realign the development and direction of our Company, stabilize our base, and prepare us for the next up-cycle. These structural changes include:

Cost Controls

We have already taken steps in January 2015 to reduce our manufacturing headcount to reflect our current order book. We are accelerating our progress to improve efficiencies in our manufacturing plants and are focusing on reducing costs across our organization. Part of this will be integrating our processes and systems across Horizon North.

Reduce Capital Spending

To reflect the contraction expected in the 2015 market, we will be reducing our capital spending to maintenance levels of approximately \$25 million. For historical reference Horizon North's net capital spending was \$100 million in 2014 and \$63 million in 2013.

One Company, One Brand, One Vision

We are moving towards an integrated business model which will provide us with a strategic focus on customers, markets, integrated processes and systems which will reduce costs and improve efficiencies. This will allow Horizon North to respond quickly to opportunities in our new and existing markets.

Developing New Business Opportunities

We are changing our Business Development Strategy to drive towards full cross selling capabilities for all of our products and services.

Our new mission statement at Horizon North is ***"To provide superior, safe, fully integrated turn-key accommodations and related ancillary infrastructure in Canada and Alaska"***. This will be our focus in 2015.

We want to expand our product and service offerings to balance our exposure between the OPEX and CAPEX budgets of our major customers. CAPEX is typically cyclical as compared to OPEX spending which tends to be smoother and more consistent over time.

We will broaden our product/service offerings to a variety of end-markets to lessen our exposure to energy market fluctuations.

We are continuing to develop new end markets for our manufacturing platform, for example moving into the construction of permanent modular buildings in commercial and institutional markets.

Finally we are preparing our land infrastructure for significant potential mega projects in electricity and LNG.

Dividend Policy

While subject to review and approval by our Board of Directors each quarter, at this time, we are committed to our policy of paying dividends to our shareholders through the current downturn. By taking the steps listed above, we believe we will have the requisite cash flow to continue to meet this commitment to our shareholders.

Our People, Our Strategy and Our Business

We have a strong senior management team, excellent people, and a sound strategic plan to manage our business through this downturn and we believe, come out with a strong platform, ready for the next energy up-cycle.

On behalf of Horizon North, I thank you for your continued support and confidence as we work through a challenging business environment in 2015.



Rod Graham,

President, CEO and Director

Management's Discussion and Analysis
Three months and years ended December 31, 2014 and 2013

This Management's Discussion and Analysis ("MD&A"), prepared as at February 18, 2015 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. ("Horizon North" or the "Corporation"). 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 Highlights

- Camp rental and catering revenues, relocatable structures revenues and matting revenues all experienced year over year growth. The growth was driven by higher activity levels and stronger utilization in the camp rental and catering and relocatable structures operations along with higher access mat sales;
- Despite the revenue growth mentioned above, consolidated revenues for the year ended December 31, 2014 were 14% below the same period in 2013 as a result of lower manufacturing activity due to customer driven project delays and internal fleet requirements;
- Consolidated EBITDAS for the year ended December 31, 2014 were 26% below the same period in 2013 as a result of decreased manufacturing activity, higher project close out costs and increased costs in mat manufacturing related to lumber costs as a result of the weaker Canadian dollar.

Annual Financial Summary

<i>(000's except per share amounts)</i>	Years ended December 31				
	2014	% change	2013	% change	2012
Revenue	\$ 476,060	(14%)	\$ 554,387	5%	\$ 526,616
EBITDAS ⁽¹⁾	92,866	(26%)	126,334	(13%)	145,027
EBITDAS as a % of revenue	20%		23%		28%
Operating earnings	37,502	(41%)	63,291	(38%)	102,758
Operating earnings as a % of revenue	8%		11%		20%
Total profit	23,646	(44%)	42,451	(42%)	72,883
Total comprehensive income	24,026	(44%)	42,637	(42%)	72,933
Earnings per share – basic	\$ 0.21	(46%)	\$ 0.39	(42%)	\$ 0.67
– diluted	0.21	(45%)	0.38	(42%)	0.66
Total assets	\$ 539,978	15%	\$ 471,115	(5%)	\$ 495,993
Long-term loans and borrowings	146,370	87%	78,256	(33%)	116,872
Cash from operations	57,571	(54%)	125,369	47%	85,036
Capital spending					
Purchase of property, plant & equipment	114,581	27%	90,146	(35%)	139,346
Proceeds from disposals of property, plant & equipment	(14,946)	(44%)	(26,925)	205%	(8,831)
Net Capital spending	99,635	58%	63,221	(52%)	130,515
Debt to EBITDAS ⁽²⁾	1.63:1.00		0.60:1.00		0.79:1.00
Debt to total capitalization ratio	0.35:1.00		0.21:1.00		0.30:1.00
Dividends declared	\$ 35,307	29%	\$ 27,378	26%	\$ 21,662
Dividends declared per share	\$ 0.32	28%	\$ 0.25	25%	\$ 0.20

(1) Please refer to page 25 of the Management's Discussion and Analysis for the definitions of Non-GAAP and additional GAAP measures and reconciliation of Net Earnings to EBITDAS.

(2) Please refer to page 17 of the Management's Discussion and Analysis for the definitions of Debt to EBITDAS.

Annual Overview

Horizon North's results for the year ended December 31, 2014 ("2014") reflect the challenges faced by the Corporation throughout the year; customer driven project delays, escalation of project costs and downward pressure on pricing which all led to the year over year decreases in revenues, EBITDAS, operating earnings and earnings per share compared to the year ended December 31, 2013 ("2013").

Consolidated revenues for the year ended December 31, 2014 decreased by \$78.3 million or 14% compared to 2013 with the decrease attributable to the manufacturing sales operations. The significant decrease in manufacturing sales revenues was a result of the timing between external sales projects and the internal fleet requirements for camp rentals and relocatable structures. As a result of customer delays there was a gap between external sales projects with a project completed in Q1 2014 and the next project delayed until late Q3 2014. The total direct hours decreased year over year with fewer hours dedicated to external revenue generating projects compared to 2013. The total direct hours in 2014 were 1,101,526, a decrease of 162,900 hours or 13% compared to 2013 with 57% of total direct hours allocated to external sales compared to 68% in 2013. In contrast to manufacturing, all other operations experienced year over year revenue growth which partially offset the manufacturing decrease. The revenue growth in camps and catering came from additional camp projects related to previous contract announcements and a stronger seasonal lift compared 2013. Higher activity at several open camps in Q1 2014 and Q4 2014 was a result of increased number of seasonal projects compared to 2013. Large camp fleet utilization was 63% with an average of 7,613 rentable beds in 2014 compared to 61% utilization and an average of 7,078 rentable beds in 2013. The higher utilization and revenue led to RevPAAB (revenue per average available bed) of \$78 in 2014 compared to \$76 in 2013. The revenue strength in the matting operations was mainly from mat sales with a year over year increase in sales of 57%.

2014 EBITDAS were \$92.9 million, a decrease of \$33.5 million or 26% compared to 2013. The decreased EBITDAS were mainly a result of the lower activity levels in manufacturing as described above. As a percentage of revenues, EBITDAS were 20%, a decrease from 23% in 2013. The decreased EBITDAS as a percentage of revenues were mainly due to higher costs experienced in the manufacturing operations as a result of the mix and the execution phase of projects between the comparative years. In addition, matting experienced decreased margins in 2014 compared to 2013 as a result of a more competitive environment and higher costs in manufacturing and mat rentals. Revenue per mat rental day decreased by \$0.20 or 8% to \$2.18 per day compared to \$2.38 per day in 2013 while costs in the rental operation increased as a result of higher usage of third party access mats compared to 2013. Costs also increased year over year for new mat manufacturing as a result of increased lumber costs due to a weaker Canadian dollar.

Net income and earnings per share decreased in 2014 compared to 2013. The decrease was primarily due to the lower revenues and EBITDAS as discussed above and higher depreciation year over year. The majority of the increased depreciation was related to expansion of the camp rental fleet as discussed above. The remainder of the depreciation increase was related to growth of the relocatable structures fleet in the first half of 2014 and growth of the access mat fleet mainly in the second half of 2014.

Outlook

Horizon North is presently at an inflection point. Commodity prices in early 2015 are under considerable pressure with oil pricing currently in the \$40-\$55 per barrel range, a six year low. A number of our larger customers have delayed or deferred their capital spending and a tone of extreme caution has pervaded our sector which has significant implications for our business. While we have seen these swings in the past, there is no clear consensus on how long this trough will last.

With this challenging macro environment, Horizon North is undertaking structural changes in its business that will realign the development and direction of the Company, stabilize our base, and prepare us for the next up-cycle. These changes, included taking steps in January 2015 to reduce our manufacturing headcount to match our current order book, outlining a reduced maintenance capital spending program of \$25 million, moving towards a more integrated business model which will reduce costs and improve efficiencies and changing our business development strategy to facilitate additional cross selling capabilities for all of our products and services.

We will be expanding our product and service offerings to balance our exposure between the OPEX and CAPEX budgets of our major customers. CAPEX is typically cyclical as compared to OPEX spending which tends to be smoother and more consistent over time. We will broaden our products/service offerings to a variety of end-markets to lessen our exposure to energy market fluctuations. We are continuing to develop new end-markets for our manufacturing platform, for example moving into the construction of permanent modular buildings in commercial and institutional markets. Finally we are preparing our land infrastructure for significant potential mega projects in electricity and LNG.

Management's Discussion and Analysis
Three months and years ended December 31, 2014 and 2013

Our new mission statement at Horizon North is "To provide superior, safe, fully integrated turn-key accommodations and related ancillary infrastructure in Canada and Alaska". This will be our focus in 2015.

Dividend payment

Horizon North announced today that its Board of Directors has declared a dividend for the first quarter of 2015 at \$0.08 per share. The dividend is payable to shareholders of record at the close of business on March 31, 2015 to be paid on April 15, 2015. The dividends are eligible dividends for Canadian tax purposes.

Management's Discussion and Analysis
Three months and years ended December 31, 2014 and 2013



Annual Financial Results

(000's)	Year ended December 31, 2014				Total
	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	
Revenue	\$ 410,499	\$ 67,172	\$ -	\$ (1,611)	\$ 476,060
Expenses					
Direct costs	311,316	50,596	3	(1,611)	360,304
Selling & administrative	8,002	1,071	13,817	-	22,890
EBITDAS	91,181	15,505	(13,820)	-	92,866
EBITDAS as a % of revenue	22%	23%	-	-	20%
Share based compensation	1,014	208	913	-	2,135
Depreciation & amortization	48,102	7,972	1,015	(194)	56,895
(Gain) loss on disposal of property, plant and equipment	(3,682)	25	(9)	-	(3,666)
Operating earnings (loss)	\$ 45,747	\$ 7,300	\$ (15,739)	\$ 194	\$ 37,502
Finance costs					4,551
Income tax expense					9,305
Other comprehensive income					(380)
Total comprehensive income					\$ 24,026
Earnings per share – basic					\$ 0.21
– diluted					\$ 0.21

(000's)	Year ended December 31, 2013				Total
	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	
Revenue	\$ 496,594	\$ 62,419	\$ -	\$ (4,626)	\$ 554,387
Expenses					
Direct costs	369,940	43,657	-	(4,595)	409,002
Selling & administrative	5,677	1,002	12,372	-	19,051
EBITDAS	120,977	17,760	(12,372)	(31)	126,334
EBITDAS as a % of revenue	24%	28%	-	1%	23%
Share based payments	1,143	168	897	-	2,208
Depreciation & amortization	46,197	8,112	583	(209)	54,683
Loss (gain) on disposal of property, plant and equipment	6,173	(21)	-	-	6,152
Operating earnings	\$ 67,464	\$ 9,501	\$ (13,852)	\$ 178	\$ 63,291
Finance costs					3,822
Income tax expense					17,018
Other comprehensive income					(186)
Total comprehensive income					\$ 42,637
Earnings per share – basic					\$ 0.39
– diluted					\$ 0.38

Management's Discussion and Analysis
Three months and years ended December 31, 2014 and 2013



Fourth Quarter Highlights

- Camp rental and catering operations revenue grew by 41% in Q4 2014 compared to the same period of 2013 driven primarily by higher activity levels and stronger utilization of a larger fleet;
- Relocatable structures revenue grew by 45% in Q4 2014 compared to the same period of 2013 as a result of the fleet expansion undertaken in the first half of 2014; and
- Matting revenues in Q4 2014 grew by 27% compared to the same period of 2013 as a result of stronger service activity.

Fourth Quarter Financial Summary

<i>(000's except per share amounts)</i>	Three months ended December 31		
	2014	2013	% Change
Revenue	\$ 135,860	\$ 108,641	25%
EBITDAS ⁽²⁾	27,774	15,687	77%
EBITDAS as a % of revenue	20%	14%	
Operating earnings (loss)	11,510	(1,607)	816%
Operating earnings (loss) as a % of revenue	8%	(1%)	
Total profit (loss)	7,183	(2,520)	385%
Total comprehensive income (loss)	7,329	(2,376)	408%
Earnings per share – basic	0.06	(0.02)	400%
– diluted	0.06	(0.02)	400%
Total assets	\$ 539,978	\$ 471,115	15%
Long-term loans and borrowings	146,370	78,256	87%
Cash from operations	18,056	28,726	(37%)
Capital spending			
Purchase of property, plant & equipment	17,540	34,883	(50%)
Proceeds from disposals of property, plant & equipment	(1,967)	(3,493)	(44%)
Net Capital spending	15,573	31,390	(50%)
Debt to EBITDAS ⁽²⁾	1.63:1.00	0.46:1.00	
Debt to total capitalization ratio	0.35:1.00	0.21:1.00	
Dividends declared	\$ 8,840	\$ 6,880	28%
Dividends declared per share	\$ 0.08	\$ 0.06	33%

(1) Please refer to page 25 of the Management's Discussion and Analysis for the definitions of Non-GAAP and additional GAAP measures and reconciliation of Net Earnings to EBITDAS.

(2) Please refer to page 17 of the Management's Discussion and Analysis for the definitions of Debt to EBITDAS.

Fourth Quarter Overview

Horizon North's results for the three months ended December 31, 2014 ("Q4 2014") were significantly stronger than the same period of 2013 ("Q4 2013") with revenue, EBITDAS, net operating earnings and earnings per share all above Q4 2013. Q4 2014 experienced higher activity levels in the camp rental and catering operations, relocatable structures and matting operations with manufacturing sales essentially unchanged in the comparative quarters.

Consolidated revenues for Q4 2014 were \$135.9 million, an increase of \$27.2 million or 25% compared to Q4 2013. The majority of the increase was a result of higher camp and catering activity levels which were driven by a larger fleet size in combination with higher utilization and stronger seasonal activity compared to Q4 2013. The fourth quarter of 2014 had several additional large camp projects, announced in late 2013 and early 2014, which were in full operation in Q4 2014. Utilization of the large camp fleet was 69% with an average of 8,285 rentable beds compared to Q4 2013 with utilization of 57% with an average of 7,613 rentable beds. Bed rental days were 524,565, an increase of 197,579 bed days or 60% resulting in RevPAAB of \$79 compared to \$63 in Q4 of 2013.

In addition to the strong camp and catering activity, the matting operations had higher revenues in Q4 2014 compared to Q4 2013. The increase in revenue is primarily a result of higher mat management services in Q4 2014 compared to the same period of 2013. The fourth quarter of 2014 saw several customers with large mat fleets gather up and consolidate their fleets to their inventory locations in preparation for deployment in 2015.

Manufacturing sales revenues were consistent quarter over quarter however total direct hours were 274,694, a decrease of 40,417 hours or 13% compared to Q4 2013 with 76% of total direct hours allocated to external sales projects in Q4 compared to 44% in Q4 2013. The consistent revenue but higher external hours quarter over quarter reflects the difference between execution phases of projects with the project in Q4 2014 focused on manufacturing, which is labour intensive, compared to the project in Q4 2013 which was primarily focused on site installation which typically consumes less direct labour but has a higher component of subcontractors.

Q4 2014 EBITDAS were \$27.8 million, an increase of \$12.1 or 77% compared to Q4 2013 as a result of the higher activity levels discussed above. As a percentage of revenues, EBITDAS were 20%, an increase from 14% in Q4 2013 compared to Q4 2013 primarily due to the strong utilization in the camp and catering operations with matting relatively consistent in the comparative quarters.

Net income and earnings per share increased in Q4 2014 compared to Q4 2013 as a result of the stronger revenue and EBITDAS in Q4 2014 and due to the disposal in Q4 2013 of property plant and equipment related to the Corporation's blast resistant structures business.

Management's Discussion and Analysis
Three months and years ended December 31, 2014 and 2013



Fourth Quarter Financial Results

(000's)	Three months ended December 31, 2014				Total
	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	
Revenue	\$ 121,778	\$ 14,518	\$ -	\$ (436)	\$ 135,860
Expenses					
Direct costs	90,989	10,241	3	(436)	100,797
Selling & administrative	2,851	215	4,223	-	7,289
EBITDAS	27,938	4,062	(4,226)	-	27,774
EBITDAS as a % of revenue	23%	28%	-	-	20%
Share based compensation	223	62	200	-	485
Depreciation & amortization	12,460	2,872	315	(49)	15,598
Loss (gain) on disposal of property, plant and equipment	190	-	(9)	-	181
Operating earnings (loss)	\$ 15,065	\$ 1,128	\$ (4,732)	\$ 49	\$ 11,510
Finance costs					1,383
Income tax expense					2,944
Other comprehensive income (loss)					(146)
Total comprehensive income					\$ 7,329
Earnings per share – basic					\$ 0.06
– diluted					\$ 0.06

(000's)	Three months ended December 31, 2013				Total
	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	
Revenue	\$ 97,827	\$ 11,431	\$ -	\$ (617)	\$ 108,641
Expenses					
Direct costs	80,496	8,213		(617)	88,092
Selling & administrative	1,426	182	3,254	-	4,862
EBITDAS	15,905	3,036	(3,254)	-	15,687
EBITDAS as a % of revenue	16%	27%	-	-	14%
Share based compensation	310	40	222	-	572
Depreciation & amortization	11,841	1,644	163	(53)	13,595
Loss on disposal of property, plant and equipment	3,127	-	-	-	3,127
Operating earnings (loss)	\$ 627	\$ 1,352	\$ (3,639)	\$ 53	\$ (1,607)
Finance costs					786
Income tax expense					127
Other comprehensive income (loss)					(144)
Total comprehensive income (loss)					\$ (2,376)
Loss per share – basic					\$ (0.02)
– diluted					\$ (0.02)

Management's Discussion and Analysis
Three months and years ended December 31, 2014 and 2013



Camps & Catering

Camps & Catering revenues are comprised of camp rental and catering operations revenue, manufacturing sales revenue, relocatable structures rental revenue and the associated service revenue within each operation.

Revenues (000's)	Three months ended December 31			Years ended December 31		
	2014	2013	% change	2014	2013	% change
Large Camp revenue	\$ 60,425	\$ 40,396	50%	\$ 215,727	\$ 197,079	9%
Drill Camp revenue	4,308	3,570	21%	15,322	20,105	(24%)
Catering only revenue	4,473	3,364	33%	15,271	17,692	(14%)
Camp and catering service revenue	8,513	7,808	9%	32,580	22,944	42%
Total camp rental and catering revenues	\$ 77,719	\$ 55,138	41%	\$ 278,900	\$ 257,820	8%
Manufacturing sales revenue	40,085	39,942	-	118,667	227,650	(48%)
Relocatable structures revenue	3,974	2,747	45%	12,932	11,124	16%
Total revenue	\$ 121,778	\$ 97,827	24%	\$ 410,499	\$ 496,594	(17%)
EBITDAS	\$ 27,938	\$ 15,905	76%	\$ 91,181	\$ 120,977	(25%)
EBITDAS as a % of revenue	23%	16%		22%	24%	
Operating earnings	\$ 15,065	\$ 627	2,303%	\$ 45,747	\$ 67,464	(32%)

Revenues from the Camps & Catering segment for the three months ended December 31, 2014 were \$121.8 million, an increase of \$24.0 million or 24% compared to the three months ended December 31, 2013. EBITDAS for the three months ended December 31, 2014 were \$27.9 million, an increase of \$12.0 million or 76% compared to the same period of 2013. The increased revenues were a result of higher activity levels across all operations in the segment with large camps being the greatest contributor. In Q4 2014, large camps experienced stronger utilization as a result of more seasonal projects compared to Q4 2013, as well, several camp projects announced in late 2013 and early 2014 became fully operational in the third quarter of 2014 increasing activity levels and the comparative quarters.

Revenues from the Camps & Catering segment for the year ended December 31, 2014 were \$410.5 million, a decrease of \$86.1 million or 17% compared to 2013. EBITDAS for the year ended December 31, 2014 were \$91.2 million, a decrease of \$29.8 million or 25% compared to 2013. The year over year decrease in revenues was primarily a result of lower activity levels in manufacturing sales mainly due to the timing of projects with a large project completing in Q1 2014 and the next project not online until late Q3 2014 as a result of customer delays. In addition, more of the direct manufacturing hours were allocated to internal fleet requirements in 2014 compared to 2013. The decrease in manufacturing sales was partially offset by strong revenue growth in the large camp operations, service related operations and in relocatable structures compared to 2013. Large camp operations and the camp related service operations had strong revenue growth year over year as a result of the additional camp projects becoming fully operational in Q3 of 2014, as well, stronger utilization in Q1 and Q4 of 2014 from increased number of seasonal projects boosted activity levels. Relocatable structures had considerable revenue growth in 2014 as a result of its expanded fleet in the first half of 2014 which experienced strong utilization in the second half of 2014. The softer EBITDAS and EBITDAS as a percentage of revenue in 2014, compared to 2013, was mainly related to the lower manufacturing sales volumes and the higher costs related to a project close out and lower manufacturing efficiencies experienced during the initiation phase of a major project.

Horizon North's revenues in the Camps & Catering segment continue to be driven by Alberta oil sands activity with 48% of revenues for the year ended December 31, 2014 generated from oil sands related projects compared to 61% in the same period of 2013. The change was driven primarily by the timing of manufacturing sales projects and the opportunities undertaken through the last quarter of 2013 and the year ended 2014.

Management's Discussion and Analysis
Three months and years ended December 31, 2014 and 2013



Large Camps

The table below outlines the key performance metrics used by management to measure performance in the large camp operations:

	Three months ended December 31			Years ended December 31		
	2014	2013	% change	2014	2013	% change
Revenues (000's)						
Large Camp revenue	\$ 60,425	\$ 40,396	50%	\$ 215,727	\$ 197,079	9%
Bed rental days ⁽¹⁾	524,565	326,986	60%	1,755,383	1,574,231	12%
Revenue per bed rental day	\$ 115	\$ 111	4%	\$ 123	\$ 125	(2%)
RevPAAB ⁽²⁾	\$ 79	\$ 63	25%	\$ 78	\$ 76	3%
Rentable beds	8,673	7,059	23%	8,673	7,059	23%
Average rentable beds ⁽³⁾	8,285	6,977	19%	7,613	7,078	8%
Utilization ⁽⁴⁾	69%	57%		63%	61%	

- 1) One bed rental day represents the provision of one bed for one day under a combined rental and catering manday rate, or the provision of one bed for one day under an equipment rental rate for dedicated camp equipment.
- 2) RevPAAB equals revenue per average available rentable bed calculated as Large Camp revenue divided by average rentable beds available in the period.
- 3) Average rentable beds available is equal to total average beds in the fleet over the period less beds required for staff.
- 4) Utilization equals the total number of bed rental days divided by average rentable beds available in the period.

Revenues from large camp operations, for the three months ended December 31, 2014 increased by \$20.0 million, or 50% compared to the same period of 2013. The increase was a result of the addition of several large camps which were fully operational in the fourth quarter of 2014 along with higher activity levels and utilization primarily a result of pipeline construction activity which boosted occupancy at certain open camps.

Revenue per bed rental day for the three months ended December 31, 2014 increased by \$4 or 4% as a result of the different mix of contracts between the comparative periods. RevPAAB (revenue per average available bed) increased by \$16 compared to Q4 2013, consistent with the higher revenue and 21% increase in utilization between the comparative quarters.

Revenues from the large camp operations, for the year ended December 31, 2014 increased by \$18.6 million, or 9% compared to 2013. The increased revenues were primarily a result of additional large camps added throughout 2014 as a result of contract commitments announced in the fourth quarter of 2013 and the first quarter of 2014. In addition to the growth in large camps, Q1 and Q4 of 2014 experienced stronger seasonal uplift compared to the same periods of 2013. Bed rental days increased by 12% and fleet utilization improved by 3% year over year, a result of the additional large camps and seasonal projects which employed a combination of existing and new equipment.

Revenue per bed rental day decreased by \$2 or 2%, reflective of the nature and mix of contracts in place in the comparative years. RevPAAB (revenue per average available bed) increased \$2 or 3% year over year, consistent with higher revenues and stronger utilization.

Management's Discussion and Analysis
Three months and years ended December 31, 2014 and 2013

Drill Camps

The table below outlines the key performance metrics used by management to measure performance in the drill camp operations:

	Three months ended December 31			Years ended December 31		
	2014	2013	% change	2014	2013	% change
Revenues (000's)						
Drill Camp revenue	\$ 4,308	\$ 3,570	21%	\$ 15,322	\$ 20,105	(24%)
Bed rental days ⁽¹⁾	26,421	21,510	23%	90,834	115,968	(22%)
Revenue per bed rental day	\$ 163	\$ 166	(2%)	\$ 169	\$ 173	(2%)
RevPAAB ⁽²⁾	\$ 55	\$ 45	22%	\$ 49	\$ 63	(22%)
Number of rentable beds at period end	855	882	(3%)	855	882	(3%)
Average rentable beds available ⁽³⁾	855	871	(2%)	855	873	(2%)
Utilization ⁽⁴⁾	34%	27%	26%	29%	36%	(19%)

1) One bed rental day represents the provision of one bed for one day under a combined rental and catering manday rate.

2) RevPAAB equals revenue per average available rentable bed calculated as Drill Camp revenue divided by average rentable beds available in the period.

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

4) Utilization equals the total number of bed rental days divided by average rentable beds available in the period.

Revenues from drill camp operations for the three months ended December 31, 2014 increased by \$0.7 million or 21% compared to the same period of 2013. The increase was due to a higher volume of bed rental days which was partially offset by softer pricing resulting in revenue per bed rental day of \$163 for Q4 2014, a decrease of 2% compared to the same period of 2013. RevPAAB (revenue per average available bed) was \$55, \$10 or 22% higher than the same period of 2013, a result of the stronger revenues and utilization.

Revenues from drill camp operations for the year ended December 31, 2014 decreased by \$4.8 million or 24% compared to 2013. The decrease was primarily related to the first half of 2014 where Horizon North experienced lower activity levels compared to the same period of 2013. Revenue per bed rental day decreased by \$4 or 2% mainly due to the competitive environment, particularly in the second half of 2014. RevPAAB (revenue per available bed) was significantly lower reflecting both lower revenues and lower utilization.

Catering Only

The table below outlines the key performance metrics used by management to measure performance in the catering only operations:

	Three months ended December 31			Years ended December 31		
	2014	2013	% change	2014	2013	% change
(000's for revenue only)						
Catering only revenue	\$ 4,473	\$ 3,364	33%	\$ 15,271	\$ 17,692	(14%)
Catering only days ⁽¹⁾	36,658	27,128	35%	120,606	165,006	(27%)
Revenue per catering only day	\$ 122	\$ 124	(2%)	\$ 127	\$ 107	19%

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

Revenues from the provision of catering and housekeeping services, with no associated bed rentals, for the three months ended December 31, 2014 increased \$1.1 million or 33% compared to same period of 2013. This increase was mainly a result of a 100 bed catering only camp which began operation in the third quarter of 2014 along with higher activity levels for customer own drill camps in the fourth quarter of 2014 compared to the same period of 2013.

Revenues from the provision of catering and housekeeping services, with no associated bed rentals, for the year ended December 31, 2014 decreased \$2.4 million or 14% compared to 2013. The lower revenues were primarily a result of softer activity levels in the first quarter of 2014 related to customer owned drill camps.

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Service

The table below outlines the service revenue generated from the camp and catering operations:

(000's)	Three months ended December 31			Years ended December 31		
	2014	2013	% change	2014	2013	% change
Camp and catering service revenue	\$ 8,513	\$ 7,808	9%	\$ 32,580	\$ 22,944	42%

Service revenues are related to the transportation, set-up and de-mobilization of camps for customers. Revenues for the three months ended December 31, 2014 increased \$0.7 million or 9% compared to the same period in 2013. The increase was mainly due to the timing of specific projects undertaken in the comparative periods, with several larger camp mobilizations occurring in the fourth quarter of 2014 compared to smaller scale projects in the same period of 2013.

Revenues for the year ended December 31, 2014 increased \$9.6 million or 42% compared to the same period in 2013. The increase was mainly due to the timing of specific projects undertaken in the comparative year, with several large camp mobilizations occurring throughout 2014 related to large camps additions and the stronger uplift in seasonal activity in Q1 and Q4 2014 compared to 2013.

Manufacturing Sales

Manufacturing sales revenues include the in-plant construction, transportation and installation of camps sold to third parties. The table below outlines the key performance metrics used by management to measure performance in the manufacturing sales operations:

(000's)	Three months ended December 31			Years ended December 31		
	2014	2013	% change	2014	2013	% change
Manufacturing sales revenue	\$ 40,085	\$ 39,942	-	\$ 118,667	\$ 227,650	(48%)

	Three months ended December 31				Years ended December 31			
	2014		2013		2014		2013	
	Direct Hours	% of total hours	Direct Hours	% of total hours	Direct Hours	% of total hours	Direct Hours	% of total hours
External hours	209,285	76%	140,023	44%	633,374	57%	858,333	68%
Internal hours	65,409	24%	175,088	56%	468,152	43%	406,093	32%
Total direct hours ⁽¹⁾	274,694	100%	315,111	100%	1,101,526	100%	1,264,426	100%

(1) Total direct hours includes; direct hours worked in the manufacturing plants and on-site installation hours.

Revenues for the three months ended December 31, 2014 remained relatively unchanged compared to the same period in 2013. Although revenue was consistent, the direct external hours increased by 69,262 hours or 49% compared to Q4 2013. The increase is reflective of the difference mix of projects and the different phases of project execution in the comparative quarters.

Total direct hours, which include direct hours worked in the manufacturing plants and installation hours undertaken on project sites, for the three months ended December 31, 2014 were 274,694 hours, a decrease of 40,417 hours or 13% compared to the same period of 2013. The decrease in direct hours was a result of Horizon North managing production capacity through reduced overtime and headcount to align with manufacturing visibility. 76% of total direct hours were directed to external sales projects in Q4 2014 compared to 44% in the same period of 2013, a reflection of the timing of external sales projects in the comparative quarters.

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Revenues for the year ended December 31, 2014 were \$118.7 million, a decrease of \$109.0 million or 48% compared to 2013. The decreased revenues were a result of several factors but primarily related to the timing between external sales projects. 2013 had a large project run continuously through the year and complete in Q1 2014, however, the next large project did not go online until late Q3 2014 due to customer delays. 2014 had reduced total direct hours compared to 2013 and fewer direct hours allocated to external revenue generating projects. In addition, 2014 allocated more direct manufacturing hours to internal fleet requirements compared to 2013 with the focus on expanding the relocatable structures fleet in the first half of 2014 and additional camp rental fleet to meet contract commitments announced late 2013 and early 2014. As well, 2013 revenue included a \$13.5 million used equipment sale with no associated direct hours, there was no similar sale in 2014.

Total direct hours, which include direct hours worked in the manufacturing plants and installation hours undertaken on project sites, for the year ended December 31, 2014 were 1,101,526 hours, a decrease of 162,900 hours or 13% compared to the same period of 2013. The decrease in direct hours was a result of Horizon North managing production capacity through reduced overtime and headcount to align with manufacturing visibility. 57% of total direct hours were directed to external sales projects for the year ended December 31, 2014 compared to 68% in 2013. The decrease is reflective of the project delay and the focus on internal fleet requirements to expand relocatable structures in the first half of 2014 and the camp rentals fleet to meet contract commitments.

Relocatable Structures

Relocatable structures (formerly Space Rentals) revenues include the rental of relocatable structures and the associated transportation and service. Relocatable Structures include office units, lavatory units, mine dry units and associated equipment.

Revenues for the three months ended December 31, 2014 were \$4.0 million, an increase of \$1.2 million or 45% compared to the same period of 2013. The increase in revenue is primarily a result of continued robust utilization on a larger fleet with 367 more units in Q4 2014 compared to the same period of 2013. Utilization in the fourth quarter of 2014 was 77% of 1,203 units compared to 80% of 836 units in the comparative quarter of 2013.

Revenues for the year ended December 31, 2014 were \$12.9 million, an increase of \$1.8 million or 16% compared to 2013. The increase is primarily a result of the additions to the fleet in the first half of 2014. Utilization for the year ended 2014 was 69% of 1,203 units compared to 81% of 836 units in 2013. The decreased utilization is a result of the fleet growth in the first half of 2014. The second half of 2014 saw most of the new units working and utilization increase to be relatively comparable to the second half of 2013.

Direct costs

Direct costs for the three months ended December 31, 2014 were \$91.0 million or 75% of revenues compared to \$80.5 million or 82% of revenue for the same period of 2013. Direct costs are closely related to business volumes and revenue mix. The decrease was primarily as a result of lower volumes in the manufacturing sales operations. As a percentage of revenue, direct costs decreased primarily a result of the nature and timing of projects flowing through the manufacturing sales operations.

Direct costs for the year ended December 31, 2014 were \$311.3 million or 76% of revenue compared to \$369.9 million or 74% of revenue for 2013. Direct costs decreased primarily due to lower volumes in the manufacturing sales operations. As a percentage of revenue, direct costs increased as a result of the nature and timing of projects described above. In addition, manufacturing sales operations experienced higher costs to close out several large projects, similar costs were not incurred in the same period of 2013.

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Matting

Matting revenues are comprised of access mat rental revenue, other mat and rental equipment revenue, mat sales revenue, installation, transportation, service, and other revenue as follows:

<i>(000's except mat rental days and numbers of mats)</i>	Three months ended December 31			Years ended December 31		
	2014	2013	% change	2014	2013	% change
Access mat rental revenue ⁽¹⁾	\$ 3,093	\$ 3,027	2%	\$ 13,611	\$ 13,828	(2%)
Other mat and rental equipment revenue ⁽²⁾	\$ 831	\$ 868	(4%)	\$ 2,924	\$ 2,969	(2%)
Total mat and rental equipment revenue	\$ 3,924	\$ 3,895	1%	\$ 16,535	\$ 16,797	(2%)
Mat sales revenue	2,495	2,124	17%	20,601	13,081	57%
Installation, transportation, service and other revenue	8,099	5,412	50%	30,036	32,541	(8%)
Total revenue	\$ 14,518	\$ 11,431	27%	\$ 67,172	\$ 62,419	8%
EBITDAS	\$ 4,062	\$ 3,036	34%	\$ 15,505	\$ 17,760	(13%)
EBITDAS as a % of revenue	28%	27%		23%	28%	
Operating earnings	\$ 1,128	\$ 1,352	(17%)	\$ 7,300	\$ 9,501	(23%)
Access mat rental days – owned mats ⁽³⁾	1,273,117	877,053	45%	4,413,357	4,157,699	6%
Access mat rental days – third party mats ⁽⁴⁾	197,959	361,377	(45%)	1,837,077	1,653,828	11%
Total access mat rental days	1,471,076	1,238,430	19%	6,250,434	5,811,527	8%
Average owned access mats in rental fleet ⁽⁵⁾	23,411	16,845	39%	19,438	17,057	14%
Average sub rental access mats in rental fleet ⁽⁶⁾	2,151	3,930	(45%)	5,000	4,521	11%
Owned access mats in rental fleet at period end ⁽⁷⁾	23,325	16,392	42%	23,325	16,392	42%
Mats sold:						
New mats	1,755	494	255%	24,215	12,849	88%
Used Mats	1,516	3,464	(56%)	6,498	6,818	(5%)
Total mats sold	3,271	3,958	(17%)	30,713	19,667	56%

(1) Access mat rental revenue includes revenues generated from the rental of traditional oak and oak edged mats.

(2) Other mat and rental equipment revenue includes the rental of rig mats, quad mats and other ancillary equipment such as well site accommodation units and light towers.

(3) One mat rental day equals the rental of one owned access mat for one day.

(4) One mat rental day equals the rental of one third party sub rented access mat for one day.

(5) Average access mat rental fleet numbers reflect only owned access mats.

(6) Average sub rental access mats is the average number of non-owned access mats in the rental fleet. These mats are rented from third parties on a short term basis.

(7) Access mats in rental fleet at period end represents the number of owned access mats in the Matting fleet.

Revenues from the Matting segment for the three months ended December 31, 2014 were \$14.5 million, an increase of \$3.1 million or 27% compared to the same period of 2013. EBITDAS for the three months ended December 31, 2014 were \$4.1 million, an increase of \$1.0 million or 34% compared to the same period of 2013. The increased revenues came primarily from the management of customer owned access mats as several customers gathered up and consolidated their mat fleets to their inventory locations.

Revenues from the Matting segment for the year ended December 31, 2014 were \$67.2 million, an increase of \$4.8 million or 8% compared to 2013. The increased revenues were driven primarily by higher new mat sales year over year. EBITDAS for the year ended December 31, 2014 was \$15.5 million, a decrease of \$2.3 million or 13% compared to 2013. The year over year decrease in EBITDAS was a result of the effects of downward pressure on access mat rental rates and increased cost for mat manufacturing due to higher lumber costs as a result of the weaker Canadian dollar compared to 2013.

Mat and rental equipment revenue

Mat and equipment rental revenues for the three months ended December 31, 2014 remained consistent compared to the same period of 2013 as a result of offsetting movements in activity levels and pricing. Activity increased in Q4 2014 compared to Q4 2013 with a higher number of access mat rental days and stronger utilization on a larger fleet size. Compared to Q4 2013, access mat rental days increased by 232,646 days or 19% with utilization of the owned access mat fleet at 59%, up from 57% in Q4 2013. The access mat fleet grew by 6,566 mats to an average of 23,411 mats in the comparative quarters. The higher activity levels were offset by the lower revenue per mat rental day which was \$2.10, a decrease of \$0.34 or 14% compared to the same period of 2013 as a result of a more competitive environment.

For the year ended December 31, 2014, mat and equipment rental revenues were consistent year over year as a result of higher rental activity being offset by softer pricing. 2014 access mat rental days were 6,250,434, an increase of 438,907 or 8% compared to 2013. Utilization in 2014 decreased to 62% from 67% in 2013 mainly as a result of the larger fleet which grew by an average of 2,381 mats compared to 2013. A competitive pricing environment throughout 2014 put downward pressure on access mat rental rates resulting in revenue per access mat rental day of \$2.18, a decrease of \$0.20 or 8% compared to the same period of 2013. This softer pricing offset the higher rental activity in 2014.

Mat sales revenue

Revenues from mat sales for the three months ended December 31, 2014 were \$2.5 million, an increase of \$0.4 million or 17% compared to the same period of 2013. The volume of mats sold is highly dependent on the timing of customer's projects and on project economics with 3,271 mats sold in the three months ended December 31, 2014, a decrease of 687 mats or 17% compared to the same period of 2013. Revenues per mat sold were \$763 for the fourth quarter of 2014, an increase of \$226 or 42% compared to the same period of 2013. This increase is reflective of the mix of new and used mats sold, as new mats typically have higher selling price than used mats.

Revenues from mat sales for the year ended December 31, 2014 were \$20.6 million, an increase of \$7.5 million or 57% compared to 2013. The increase was due mainly to several significant new and used mat sales in 2014 resulting in mat sales for the year ended December 31, 2014 of 30,713 mats, an increase of 11,046 mats or 56% compared to 2013. Revenues per mat sold were \$671 for the year ended December 31, 2014, an increase of \$6 or 1% compared to 2013 mainly due to the higher number of new mats sold in 2014, as new mats typically have a higher selling price than used mats.

Installation, transportation, service, and other revenue

Installation, transportation, service, and other revenues are driven mainly from the level of activity in the mat rental, mat sale and mat management businesses and are charged for separately from rentals and sales.

Revenues for the three months ended December 31, 2014 were \$8.1 million, an increase of \$2.7 million or 50% compared to the same period in 2013. The increase in revenue was primarily a result of increased demand for mat management services in Q4 2014 compared to the same period of 2013. The fourth quarter of 2014 saw several customers with large mat fleets gather up and consolidate their fleets to their inventory locations in preparation for 2015. The majority of this work is transportation services.

Revenues for the year ended December 31, 2014 were \$30.0 million, a decrease of \$2.5 million or 8% compared to 2013. The decrease in revenues was primarily a result of the revenue mix, as mat sales typically do not generate significant installation and service revenues.

Direct costs

Direct costs for the three months ended December 31, 2014 were \$10.2 million or 71% of revenue compared to \$8.2 million or 72% of revenue for the same period of 2013. Direct costs are driven by both the level and mix of business activity with the increase in overall direct costs in Q4 2014 compared to Q4 2013 a result of the higher activity levels mainly in transportation. As a percentage of revenue, direct costs decreased slightly in the three months ended December 31, 2014 compared to the same period of 2013 mainly due to the lower use of third party mats and the associated rental costs.

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Direct costs for the year ended December 31, 2014 were \$50.6 million or 75% of revenue compared to \$43.7 million or 70% of revenue for 2013. Direct costs are driven by both the level and mix of business activity. The increase in direct costs year over year was mainly due to costs associated with higher volume of new mat sales in 2014. As a percentage of revenue, direct costs increased in the year ended December 31, 2014 compared to the same period of 2013. This increase is primarily due to the higher costs of lumber used in mat manufacturing due to the weaker Canadian dollar.

Corporate

Corporate costs are the costs of the head office which include the President and Chief Executive Officer, Chief Financial Officer, Senior Vice President of Business Development, Vice President of Quality, Health, Safety, and Environment, Vice President of Aboriginal Relations, Vice President of Legal, Corporate Secretary, corporate accounting staff, information technology, and associated costs of supporting a public company.

Corporate costs for the three months ended December 31, 2014 were \$4.2 million, an increase of \$1.0 million or 30% compared to the same period in 2013. The increased costs primarily relate to the retirement allowance of the previous chief executive officer in November 2014. Corporate costs, as a percentage of total revenue were 3.1% compared to 3.0% for the three months and year ended December 31, 2013.

Corporate costs for the year ended December 31, 2014 were \$13.8 million, an increase of \$1.4 million or 12% compared to 2013. The increased costs primarily relate to the retirement allowance of the previous chief executive officer in November 2014 with the balance related to higher IT costs and HSE education programs. Corporate costs, as a percentage of total revenue were 2.9% compared to 2.2% for the year ended December 31, 2013 as a result of the increased cost described above and lower 2014 revenues.

Other Items

Selling and administrative

Selling and administrative expenses for the three months and year ended December 31, 2014 were \$3.1 million, an increase of \$1.5 million or 91% compared to the same period in 2013. As a percentage of revenue, selling and administrative expenses for the three months and year ended December 31, 2014 were 2% compared to 1.5% the comparative period of 2013.

Selling and administrative expenses for the year ended December 31, 2014 were \$9.1 million, an increase of \$2.4 million or 36% compared to the same period in 2013. As a percentage of revenue, selling and administrative expenses for the year ended December 31, 2014 were 2% compared to 1% for 2013.

Depreciation and amortization

(000's)	Three months ended December 31			Years ended December 31		
	2014	2013	% change	2014	2013	% change
Depreciation of property, plant and equipment	\$ 15,067	\$ 12,688	19%	\$ 53,927	\$ 47,623	13%
Amortization of intangibles	531	907	(41%)	2,968	7,060	(58%)
Total depreciation and amortization	\$ 15,598	\$ 13,595	15%	\$ 56,895	\$ 54,683	4%

Depreciation of property, plant and equipment increased \$2.4 million or 19% in the three months ended December 31, 2014 compared to the same period of 2013. The increase was mainly related to camp fleet additions and camp setup costs added between the comparative quarters.

Depreciation of property, plant and equipment increased by \$6.3 million or 13% in 2014 compared to 2013. The majority of the increase was expansion of the camp rental fleet and camp setup costs associated with contract commitments late in 2013 and throughout 2014. The remainder of the increase was related to growth of the relocatable structures fleet in the first half of 2014 and growth of the access mat fleet mainly in the second half of 2014.

Amortization costs related to customer relationships decreased \$0.4 million or 41% for the three months ended December 31, 2014 compared to the same period of 2013 as they were fully amortized in Q4 2014.

Amortization costs related to customer relationships decreased \$4.1 million or 58% in 2014 compared to 2013. The decrease is a result of these costs being fully amortized in 2014.

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Financing costs

Financing costs include interest on loans and borrowings and accretion of notes payable. For the three months ended December 31, 2014 financing costs were \$1.4 million, an increase of \$0.6 million or 76% compared to 2013. The increase in financing costs was mainly a result of higher average debt levels in the fourth quarter of 2014 which averaged \$150.0 million compared to \$59.2 million in the same period of 2013.

For the year ended December 31, 2014 financing costs were \$4.6 million, an increase of \$0.7 million or 19% compared to 2013. The increase in financing costs was mainly a result of higher average debt levels throughout the year which averaged \$126.6 million compared to \$93.2 million in 2013. The effective interest rate on loans and borrowings for 2014 was 3.3% compared to 3.6% in 2013. The lower effective interest rate was a result of carrying a higher proportion of the 2014 debt balance in bankers acceptances, compared to 2013 which generally have a lower interest rate than prime rate debt.

Income taxes

For the year ended December 31, 2014, income tax expense was \$9.3 million and effective tax rate of 28.2% compared to \$17.0 million and an effective tax rate of 28.6% in 2013. The decrease in the expense was related to the lower profit before tax compared to 2013. The higher tax rate in prior year was a result of the effect of prior period adjustments made in the respective periods.

Gain/Loss on disposal

For the three months ended December 31, 2014, Horizon North recognized losses on disposal of \$0.2 million compared to losses of \$3.1 million in the Q4 of 2013. The majority of these losses in 2013 came from disposal of the remaining camp assets and property related to the Northern based ancillary assets.

For the year ended December 31, 2014 Horizon North recognized gains on disposal of \$3.7 million which were primarily related to the disposal of camp assets and property related to the Northern based ancillary assets in Q3 of 2014. This compares to a loss on disposal of \$6.2 million in 2013, composed of undepreciated setup costs related to a large camp which was dismantled and sold in Q2 2013 and the disposal of the Corporation's blast resistant structures business in Q4 2013.

Liquidity and Capital Resources

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

<i>(000's)</i>	December 31, 2014	December 31, 2013
Current assets	\$ 134,342	\$ 113,608
Current liabilities excluding loans and borrowings ⁽¹⁾	60,337	60,408
Current portion of loans and borrowings	7,668	1,496
Current liabilities	68,005	61,904
Working capital ⁽²⁾	\$ 66,337	\$ 51,704
Bank borrowing:		
Available credit facility	\$ 175,000	\$ 150,000
Drawings on credit facility	146,370	70,756
Borrowing capacity ⁽³⁾	\$ 28,630	\$ 79,244

(1) Calculated as the sum of trade and other payables, deferred revenue and income taxes payable.

(2) Calculated as current assets less current liabilities.

(3) Calculated as available bank lines less drawings on credit facility.

Working capital at December 31, 2014 was \$66.3 million compared to \$51.7 million at December 31, 2013, an increase of \$14.6 million. The increase in working capital was mainly due to higher accounts receivable at December 31, 2014, primarily a result of activity levels in the comparative periods.

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On August 13, 2014, the Corporation's committed credit facility ("credit facility") was increased to \$175,000,000 from \$150,000,000. The credit facility is extendable annually at the Corporation's request and subject to lender approval. The credit facility is secured by a \$300,000,000 first fixed and floating charge debenture over all assets of the Corporation and its wholly owned subsidiaries. The interest rate is calculated on a grid pricing structure based on the Corporation's debt to EBITDAS ratio. Amounts drawn on the credit facility incur interest at bank prime rate plus 0.50% to 1.00% or the Bankers' Acceptance rate plus 1.50% to 2.00%. The credit facility has a standby fee ranging from 0.34% to 0.45%. Debt to EBITDAS is calculated as at the quarter end for the most recently completed calendar quarter and for the 12 months ended on such date. Amounts borrowed under the facility become due on October 26, 2016, the maturity date of the facility.

As at December 31, 2014, the Corporation was in compliance with all financial and non-financial covenants as shown below:

	December 31, 2014
Debt Covenants	
Debt ⁽¹⁾ to EBITDAS ⁽²⁾⁽³⁾ – must be less than 2.0:100	1.6:1.00
Interest coverage ⁽⁴⁾ – must be greater than 3.0:100	22.4:1.00

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

(2) Please refer to page 25 of the Management Discussion and Analysis for the definitions of Non-GAAP and additional GAAP measures and reconciliation of Net Earnings to EBITDAS.

(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.

Capital Spending

For the year ended December 31, 2014, capital spending was \$114.6 million, an increase of \$24.4 million or 27% compared to the same period of 2013. The 2014 capital was focused on additional camp rental fleet to fulfill contract commitments, expansion of the relocatable structures fleet in the first half of the year and expansion of the access mat fleet in the second half of 2014. Also, included in the 2014 capital was the acquisition of key real estate positions near proposed LNG projects in British Columbia.

Management evaluates and manages its capital spending plans taking into account proceeds from the sale of property, plant and equipment resulting in net capital spending for the year ended December 31, 2014 of \$99.6 million compared to \$63.2 million for the same period of 2013.

Quarterly Summary of Results

	Three months ended				Year ended December 2014
	March 2014	June 2014	September 2014	December 2014	
<i>(000's except per share amounts)</i>					
Revenue	\$ 122,211	\$ 96,094	\$ 121,895	135,860	\$ 476,060
EBITDAS	23,550	15,496	26,046	27,774	92,866
Operating earnings	11,430	1,871	12,691	11,510	37,502
Total profit	7,718	680	8,065	7,183	23,646
Total comprehensive income	7,917	602	8,178	7,329	24,026
Earnings per share – basic	\$ 0.07	\$ 0.01	\$ 0.07	0.06	\$ 0.21
Earnings per share – diluted	\$ 0.07	\$ 0.01	\$ 0.07	0.06	\$ 0.21

	Three months ended				Year ended December 2013
	March 2013	June 2013	September 2013	December 2013	
<i>(000's except per share amounts)</i>					
Revenue	\$ 139,959	\$ 148,426	\$ 157,361	\$ 108,641	\$ 554,387
EBITDAS	36,633	32,708	41,306	15,687	126,334
Operating earnings (loss)	23,209	14,257	27,432	(1,607)	63,291
Total profit (loss)	16,509	10,123	18,339	(2,520)	42,451
Total comprehensive income	16,384	9,986	18,643	(2,376)	42,637
Earnings (loss) per share – basic	\$ 0.15	\$ 0.09	\$ 0.17	\$ (0.02)	\$ 0.39
Earnings (loss) per share – diluted	\$ 0.15	\$ 0.09	\$ 0.17	\$ (0.02)	\$ 0.38

Horizon North is a service provider to the resource sector and its performance typically follows fluctuations in commodity pricing and activity levels in the sector. As well, Horizon North's decisions on the allocation of manufacturing resources and decisions on the relocation of the camp and catering fleet can have an impact on performance. The allocation of manufacturing resources between external projects and internal fleet requirements can significantly affect the timing of revenues between the quarters; this was evident in the first half of 2014 with a significant portion of manufacturing resources allocated to internal fleet in order to execute announced projects. The movement and redeployment of camps impacts performance as well. When camps are relocated to new areas or new contracts there are typically several months of down time to complete the relocations. In addition, there has been downward pressure on pricing as a result of an increasingly competitive environment. Throughout 2014, Horizon North continued to invest in fleet capital to remain competitive in the Alberta oil sands area and to expand in northeastern British Columbia to serve natural gas exploration and development activities.

Risks and Uncertainties

Volatility of Oil, Natural Gas and Mining Industry Conditions

The demand, pricing and terms for Horizon North's Camps & Catering and Matting 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 North 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 North 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 North.

Competition

Horizon North provides Camps & Catering and Matting 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 North 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 North 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 North operates. As a result of competition, Horizon North'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 North. 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 North'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 North's cash flow may not be sufficient to fund its ongoing activities at all times. From time to time, Horizon North may require additional financing. Failure to obtain such financing on a timely basis could cause Horizon North to miss certain acquisition opportunities or prevent further growth of its operations. If Horizon North's revenues decrease, it will affect Horizon North's ability to expend the necessary capital to maintain its operations. If Horizon North'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.

Labour Relations

The largest component of Horizon North'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 North. In addition, Horizon North 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 North 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 North'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

The Corporation had one major customer during 2014 who generated 11.2% of total revenues compared to a single customer who generated 24.0% of total revenue in 2013. There can be no assurance that Horizon North'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 North's business, financial condition and results of operations.

Reliance on Key Personnel

Horizon North'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 North. Horizon North does not have key person insurance in effect for management. The contributions of these individuals to the immediate operations of Horizon North 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 North.

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 North 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 North 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 North 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 North's operations and facilities and those of its customers. A number of Horizon North'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 North's services.

Management is unable to predict the impact of potential emissions targets and it is possible that changes could adversely affect Horizon North'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 North's ability to provide its services economically.

Aboriginal Relationships

A component of Horizon North's business strategy is based on developing and maintaining positive relationships with the aboriginal people and communities in the areas where Horizon North operates. These relationships are important to Horizon North'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 North's businesses has slightly different seasonal aspects. Certain segments of the Camps & Catering division are exposed to the seasonality of the western Canadian oil and natural gas drilling industry where the busiest months are January through March and the slowest months are April through September. However, seasonality has been significantly reduced due to increased exposure in the oil sands and mining sectors, which operate year round. The Matting segment is typically busiest in the spring and summer months of April through September when soft ground conditions hinder the movement of heavy equipment.

Other Risks

Due to the nature of Horizon North's business, it is subject to a number of regulations, environmental laws and risks associated with lawsuits arising from accidents and claims. Horizon North manages these risks through a combination of quality management, training and by securing insurance coverage to protect the assets of Horizon North in the event of litigation.

Changes in Accounting Policies

Standards, amendments and interpretations to existing standards that are effective and have been adopted by the Corporation included:

Amendments to IAS 32 – Financial Instruments – Presentation. The amendment to the standard provides clarification on the application of the offsetting rules. The standard was effective and adopted by the Corporation as of January 1, 2014. The adoption of the standard did not have a material effect on the Corporation.

Amendment to IAS 36 - Impairment of Assets – The amendment require entities to disclose the recoverable amount of an impaired CGU. The amendments was effective and adopted by the Corporation as of January 1, 2014 and requires retrospective application. The adoption of the standard did not have a material effect on the Corporation.

IFRIC 21 – Levies is an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets which sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payment of the levy. The interpretation did not have a material effect on the Corporation.

Critical Accounting Estimates and Judgments

This Management's Discussion and Analysis of the Corporation's financial condition and results of operations is based on its consolidated financial statements which are prepared in accordance with International Financial Reporting Standards (IFRS). The presentation of these financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of provisions at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates and judgments are based on historical experience and on various assumptions that are believed to be reasonable under the circumstances. Anticipating future events cannot be done with certainty, therefore these estimates may change as new events occur, more experience is acquired and as the Corporation's operating environment changes. The accounting estimates believed to be the most difficult, subjective or complex judgments and which are the most critical to the reporting of results of operations and financial positions 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 the notes to the consolidated financial statements.

Construction Receivable Estimate

The Corporation recognizes that the value of many construction contracts increase over the duration of the construction period. Change orders may be issued by customers to modify the original contract scope of work or certain conditions may result in possible disputes or claims regarding additional amounts owing may arise. Construction work related to a change order or claim may proceed, and costs may be incurred, in advance of final determination of the value of the change order. As many change orders and claims may not be settled until the end of the construction project, significant increases or decreases in revenue and income may arise during any particular accounting period.

Collectability of receivables

The Corporation estimates the collectability of accounts receivable, including unbilled accounts receivable related to current period service revenue. An analysis of historical bad debts, client credit-worthiness, the age of accounts receivable and current economic trends and conditions are used to evaluate the adequacy of the allowance for doubtful accounts and the collectability of amounts receivable. Significant estimates must be made and used in connection with establishing the allowance for doubtful accounts in any accounting period. Material differences may result if management made different judgments or utilized different estimates.

Asset Retirement Obligations ("ARO")

The Corporation recognizes an asset retirement obligation to account for future demobilisation and reclamation of specific camps. Use of an ARO requires estimates of the asset retirement costs, timing of payments, present value discount rate and inflation rate to determine the amount recognized, in accordance with the accounting policy set out in the notes to the consolidated financial statements.

Impairment

The Corporation is required to make a judgement for the need for impairment at each reporting date by evaluating conditions specific to the organization that may lead to impairment of assets. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

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 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 and accrued revenue, 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 in trade receivable and accrued revenue 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:

<i>(000's)</i>	December 31, 2014	December 31, 2013
Neither impaired nor past due	\$ 36,511	\$ 20,409
Impaired	733	65
Outstanding 31-60 days	14,994	13,963
Outstanding 61-90 days	4,761	4,001
Outstanding more than 90 days	1,128	2,073
Total	58,127	40,511
Allowance for doubtful accounts	(733)	(65)
Accrued revenue	20,634	19,413
Construction receivables	36,863	30,070
Other receivables	1,183	927
Total trade and other receivables	\$ 116,074	\$ 90,856

In the twelve months ended December 31, 2014, the Corporation provided an allowance for \$758,000 of receivables aged greater than 90 days and collected \$12,000 that had previously been allowed for. The Corporation also applied \$79,000 of allowance for doubtful accounts against the associated receivable balance. As at February 18, 2015, the Corporation has collected \$746,500 on amounts outstanding more than 90 days.

Construction receivables represent progress billings to customers under open construction contracts, holdback amounts billed on construction contracts which are not due until the contract work is substantially completed, amounts recognized as revenue under open construction contracts not billed to customers and highly probable claims. At December 31, 2014, included in construction receivables were holdbacks of \$6,800,000 (2013 - \$8,400,000). The total of construction receivables aged less than 90 days was 68% at December 31, 2014 (2013 - 88%).

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(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.

On August 13, 2014, the Corporation's committed credit facility ("credit facility") was increased to \$175,000,000 from \$150,000,000. The credit facility is extendable annually at the Corporation's request and subject to lender approval. The credit facility is secured by a \$300,000,000 first fixed and floating charge debenture over all assets of the Corporation and its wholly owned subsidiaries. The interest rate is calculated on a grid pricing structure based on the Corporation's debt to EBITDAS ratio. Amounts drawn on the credit facility incur interest at bank prime rate plus 0.50% to 1.00% or the Bankers' Acceptance rate plus 1.50% to 2.00%. The credit facility has a standby fee ranging from 0.34% to 0.45%. Debt to EBITDAS is calculated as at the quarter end for the most recently completed calendar quarter and for the 12 months ended on such date. Amounts borrowed under the facility become due on October 26, 2016, the maturity date of the facility.

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

	December 31, 2014		December 31, 2013	
	Trade and other payables ⁽¹⁾	Loans and borrowings ⁽²⁾	Trade and other payables ⁽¹⁾	Loans and borrowings ⁽²⁾
Year 1	\$ 58,069	\$ 7,668	\$ 56,961	\$ 1,496
Year 2	-	146,370	-	7,500
Year 3	-	-	-	70,756
Year 4	-	-	-	-
Year 5 and beyond	5,890	-	5,656	-
	\$ 63,959	\$ 154,038	\$ 62,617	\$ 79,752

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

(2) Loans and borrowings include non-interest bearing notes payable and Horizon North'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 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 twelve months ended December 31, 2014 by approximately \$136,000 (December 31, 2013 - \$182,500). This assumes that the quantity of USD raw material purchases and the foreign operations in the year 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 0.625%. If prime were to have increased by 1.00%, it is estimated that the Corporation's net earnings would have decreased by approximately \$1,254,000 for the twelve months ended December 31, 2014 (December 31, 2013 - \$933,500). This assumes that the amount and mix of fixed and floating rate debt in the year remains unchanged and that the change in interest rates is effective from the beginning of the year.

Outstanding Shares

Horizon North had 110,505,651 voting common shares issued and outstanding options of 5,319,987 for a total maximum number of 115,821,638 shares, on a diluted basis, as at February 18, 2015.

Off Balance Sheet Financing

Horizon North 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, 2014, an evaluation was carried out, under the supervision of the CEO and the CFO, of the effectiveness of the design and operation of Horizon North'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, 2014, Horizon North's DC&P, as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, were effective.

Throughout 2015, Horizon North will continue to evaluate its DC&P making modifications from time-to-time as deemed necessary. There were no changes in Horizon North's DC&P that occurred during the period ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, Horizon North'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 North'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
- 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 deteriorate.

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As at December 31, 2014, an evaluation was carried out, under the supervision of the CEO and the CFO, of the effectiveness of Horizon North’s ICFR based on the framework and criteria established in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013.

Based on this evaluation, management concluded that the design and operating effectiveness of Horizon North’s ICFR was effective as of December 31, 2014.

Throughout 2015, Horizon North will continue to evaluate its ICFR making modifications from time-to-time as deemed necessary. There were no changes in Horizon North’s ICFR that occurred during the period ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, Horizon North’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.

Non-GAAP and additional GAAP measures

Certain measures in this MD&A do not have any standardized meaning as prescribed by generally accepted accounting principles (“GAAP”) and, therefore, are considered non-GAAP measures. These measures are regularly reviewed by the Chief Operating Decision Maker and provide investors with an alternative method for assessing the Corporation’s operating results in a manner that is focused on the performance of the Corporation’s ongoing operations and to provide a more consistent basis for comparison between periods. These measures should not be construed as alternatives to total profit and total comprehensive income determined in accordance with GAAP as an indicator of the Corporation’s performance. The method of calculating these measures may differ from other entities and accordingly, may not be comparable to measures used by other entities. The following non-GAAP and additional GAAP measures are used to monitor the Corporation’s performance:

EBITDAS: Earnings before finance costs, taxes, depreciation, amortization, gain/loss on disposal of property, plant and equipment and share based compensation (“EBITDAS”). 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.

Debt to total capitalization: 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.

Reconciliation of non-GAAP and additional GAAP measures

The following provides a reconciliation of non-GAAP and additional GAAP measures to the nearest measure under GAAP for items presented throughout the MD&A.

EBITDAS

(000’s)	Three months ended December 31		Years ended December 31	
	2014	2013	2014	2013
Total profit	\$ 7,183	\$ (2,520)	\$ 23,646	\$ 42,451
Add:				
Finance costs	1,383	786	4,551	3,822
Income tax expense	2,944	127	9,305	17,018
Depreciation	15,067	12,688	53,927	47,623
Amortization of intangible assets	531	907	2,968	7,060
(Gain) loss on disposal of property, plant and equipment	181	3,127	(3,666)	6,152
Share based compensation	485	572	2,135	2,208
EBITDAS	\$ 27,774	\$ 15,687	\$ 92,866	\$ 126,334

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Related Parties

<i>(000's)</i>	December 31, 2014	December 31, 2013
Joint venture		
Recovery of administrative overhead	30	30
Key management personnel interests		
Sales	-	947
Included in accounts receivable	475	395

Key management personnel include the directors and officers of Horizon North that are also directors or officers of other companies. 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.

Advisories

This Management's Discussion and Analysis, prepared as at February 18, 2015 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. 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 the Management Discussion and Analysis constitute forward-looking statements or information. These statements relate to future events or future performance of Horizon North. 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 North is presently at an inflection point. Commodity prices in early 2015 are under considerable pressure with oil pricing currently in the \$40-\$55 per barrel range, a six year low. A number of our larger customers have delayed or deferred their capital spending and a tone of extreme caution has pervaded our sector which has significant implications for our business. While we have seen these swings in the past, there is no clear consensus on how long this trough will last.

With this challenging macro environment, Horizon North is undertaking structural changes in its business that will realign the development and direction of the Company, stabilize our base, and prepare us for the next up-cycle. These changes, included taking steps in January 2015 to reduce our manufacturing headcount to match our current order book, outlining a reduced maintenance capital spending program of \$25 million, moving towards a more integrated business model which will reduce costs and improve efficiencies and changing our business development strategy to facilitate additional cross selling capabilities for all of our products and services.

We will be expanding our product and service offerings to balance our exposure between the OPEX and CAPEX budgets of our major customers. CAPEX is typically cyclical as compared to OPEX spending which tends to be smoother and more consistent over time. We will broaden our products/service offerings to a variety of end-markets to lessen our exposure to energy market fluctuations. We are continuing to develop new end-markets for our manufacturing platform, for example moving into the construction of permanent modular buildings in commercial and institutional markets. Finally we are preparing our land infrastructure for significant potential mega projects in electricity and LNG.

Our new mission statement at Horizon North is "To provide superior, safe, fully integrated turn-key accommodations and related ancillary infrastructure in Canada and Alaska". This will be our focus in 2015."

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Many factors could cause the performance or achievements of Horizon North to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. These include, but are not limited to general economic, market and business conditions.

Readers are cautioned that the foregoing list of risks and uncertainties is not exhaustive. Additional information on these and other risk factors that could affect Horizon North's operations and financial results are included in Horizon North's annual information form which may be accessed through the SEDAR website at www.sedar.com. The forward-looking statements and information contained in this MD&A are made as of the date hereof and Horizon North does not undertake any obligation to update publicly or revise any forward-looking statements and information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Management's Report to Shareholders

The accompanying consolidated financial statements of Horizon North Logistics Inc. ("Horizon North" or the "Corporation") have been approved by the Board of Directors (the "Board") of Horizon North 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 North; 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. 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. The Audit Committee has reviewed the consolidated financial statements with management and the external auditor.



Rod Graham
President and
Chief Executive Officer



Scott Matson
Vice President Finance and
Chief Financial Officer

February 18, 2015



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, 2014 and December 31, 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, 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, 2014 and December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Accountants

February 18, 2015
Calgary, Canada



Consolidated statement of financial position

<i>(000's)</i>	December 31, 2014	December 31, 2013
Assets		
Current assets:		
Trade and other receivables (Note 11)	\$ 116,074	\$ 90,856
Inventories (Note 12)	14,656	15,638
Prepayments	3,612	3,000
Income taxes receivable	-	4,114
	134,342	113,608
Non-current assets:		
Property, plant and equipment (Note 13)	401,130	349,252
Intangible assets (Note 14)	-	2,968
Goodwill (Note 14)	1,664	1,664
Deferred tax assets (Note 18)	414	1,067
Other assets (Note 15)	2,428	2,556
	405,636	357,507
	\$ 539,978	\$ 471,115
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables	\$ 55,577	\$ 56,677
Deferred revenue	2,268	3,447
Income taxes payable	2,492	284
Current portion of loans and borrowings (Note 16)	7,668	1,496
	68,005	61,904
Non-current liabilities:		
Asset retirement obligations (Note 17)	5,890	5,656
Loans and borrowings (Note 16)	146,370	78,256
Deferred tax liabilities (Note 18)	33,139	30,872
	253,404	176,688
Shareholders' equity:		
Share capital (Note 19)	185,592	183,851
Contributed surplus	13,523	11,836
Accumulated other comprehensive income	774	394
Retained earnings	86,685	98,346
	286,574	294,427
	\$ 539,978	\$ 471,115

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

Ann Rooney
Director

Rod Graham
Director



Consolidated statement of comprehensive income
Twelve months ended December 31, 2014 and 2013

<i>(000's except per share amounts)</i>	December 31, 2014	December 31, 2013
Revenue (Note 5)	\$ 476,060	\$ 554,387
Operating expenses:		
Direct costs (Note 6)	360,304	409,007
Depreciation (Note 13)	53,927	47,623
Share based compensation (Note 19)	1,222	1,311
(Gain) loss on disposal of property, plant and equipment	(3,666)	6,152
Direct operating expenses (Note 6)	411,787	464,093
Gross profit	64,273	90,294
Selling & administrative expenses:		
Selling & administrative expenses (Note 7)	22,890	19,046
Amortization of intangible assets (Note 14)	2,968	7,060
Share based compensation (Note 19)	913	897
Selling & administrative expenses (Note 7)	26,771	27,003
Operating earnings	37,502	63,291
Finance costs (Note 9)	4,551	3,822
Profit before tax	32,951	59,469
Current tax expense	6,385	14,759
Deferred tax expense (Note 18)	2,920	2,259
Income tax expense (Note 10)	9,305	17,018
Total profit	23,646	42,451
Other comprehensive income:		
Translation of foreign operations	380	186
Other comprehensive income, net of income tax	380	186
Total comprehensive income	\$ 24,026	\$ 42,637
Earnings per share:		
Basic (Note 20)	\$ 0.21	\$ 0.39
Diluted (Note 20)	\$ 0.21	\$ 0.38

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



Consolidated statement of changes in equity

<i>(000's)</i>	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance at December 31, 2012	\$ 179,999	\$ 10,783	\$ 208	\$ 83,273	\$ 274,263
Total profit	-	-	-	42,451	42,451
Share based compensation (Note 19)	-	2,208	-	-	2,208
Share options exercised (Note 19)	3,852	(1,155)	-	-	2,697
Translation of foreign operations	-	-	186	-	186
Dividends declared (Note 21)	-	-	-	(27,378)	(27,378)
Balance at December 31, 2013	\$ 183,851	\$ 11,836	\$ 394	\$ 98,346	\$ 294,427
Total profit	-	-	-	23,646	23,646
Share based compensation (Note 19)	-	2,135	-	-	2,135
Share options exercised (Note 19)	1,741	(448)	-	-	1,293
Translation of foreign operations	-	-	380	-	380
Dividends declared (Note 21)	-	-	-	(35,307)	(35,307)
Balance at December 31, 2014	\$ 185,592	\$ 13,523	\$ 774	\$ 86,685	\$ 286,574

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

Consolidated statement of cash flows
Twelve months ended December 31, 2014 and 2013

<i>(000's)</i>	December 31, 2014	December 31, 2013
Cash provided by (used in):		
Operating activities:		
Profit for the period	\$ 23,646	\$ 42,451
Adjustments for:		
Depreciation (Note 13)	53,927	47,623
Amortization of intangible assets (Note 14)	2,968	7,060
Share based compensation (Note 19)	2,135	2,208
Amortization of other assets (Note 15)	128	128
(Gain) loss on sale of property, plant and equipment	(6,101)	1,384
Unrealized foreign exchange	311	55
Finance costs (Note 9)	4,551	3,822
Income tax expense (Note 10)	9,305	17,018
	90,870	121,749
Income taxes paid	(63)	(31,104)
Interest paid	(4,232)	(3,412)
Changes in non-cash working capital items (Note 26)	(29,004)	38,136
	57,571	125,369
Investing activities:		
Purchase of property, plant and equipment (Note 13)	(114,581)	(90,146)
Proceeds on sale of property, plant and equipment	14,946	26,925
	(99,635)	(63,221)
Financing activities:		
Proceeds from shares issued on exercise of options	1,293	2,697
Net proceeds from (repayment of) loans and borrowings	74,118	(38,907)
Payment of dividends	(33,347)	(25,938)
	42,064	(62,148)
Change in cash position	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -

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 Corporation’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, 2014 comprise the Corporation and its subsidiaries and the Corporation’s interest in associates and jointly controlled entities. Horizon provides camp & catering services and ground matting 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”).

The consolidated financial statements were authorized for issue by the Board of Directors on February 18th, 2015.

(b) Basis of measurement

The consolidated financial statements have been prepared using the historical cost basis. Certain prior period amounts have been amended to conform to current period presentation.

(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 judgments, 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 judgments, 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 judgments, estimates and assumptions that have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements are as follows:

Estimates

- Revenue Recognition Estimate – 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(j)(iv).
- Construction Receivable Estimate – The Corporation recognizes that the value of many construction contracts increase over the duration of the construction period. Change orders may be issued by customers to modify the original contract scope of work or conditions resulting in possible disputes or claims regarding additional amounts owing may arise. Construction work related to a change order or claim may proceed, and costs may be incurred, in advance of final determination of the value of the change order. As many change orders and claims may not be settled until the end of the construction project, significant increases or decreases in revenue and income may arise during any particular accounting period.

2. Basis of Presentation (continued)

(d) Use of estimates and judgments (continued)

Estimates (continued)

- Collectability of receivables – The Corporation estimates the collectability of accounts receivable, including unbilled accounts receivable related to current period service revenue. An analysis of historical bad debts, client credit-worthiness, the age of accounts receivable and current economic trends and conditions are used to evaluate the adequacy of the allowance for doubtful accounts and the collectability of receivable. Significant estimates must be made and used in connection with establishing the allowance for doubtful accounts in any accounting period. Material differences may result if management made different judgments or utilized different estimates.
- Asset Retirement Obligation (“ARO”) – The Corporation recognizes an asset retirement obligation to account for future demobilisation and reclamation of specific camps. Use of an ARO requires estimates of the asset retirement costs, timing of payments, present value discount rate and inflation rate to determine the amount recognized, in accordance with the accounting policy set out in Note 3(i).

Judgments

- Impairment - The Corporation is required to make a judgment for the need for impairment at each reporting date by evaluating conditions specific to the organization that may lead to impairment of assets. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

3. Significant Accounting Policies

(a) Basis of consolidation

(i) 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 are aligned then 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.

(ii) 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.

(iii) Joint ventures

Joint ventures are those entities over whose activities the Corporation has joint control, established by contractual agreement. Joint ventures are accounted for using the equity method (equity accounted investees) and are initially recognized at cost.

(iv) 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) Changes in accounting policy and disclosure

Standards, amendments and interpretations to existing standards that are effective and have been adopted by the Corporation included:

Amendments to IAS 32 – Financial Instruments – Presentation. The amendment to the standard provides clarification on the application of the offsetting rules. The standard was effective and adopted by the Corporation as of January 1, 2014. The adoption of the standard did not have a material effect on the Corporation.

Amendment to IAS 36 - Impairment of Assets – The amendment require entities to disclose the recoverable amount of an impaired CGU. The amendments was effective and adopted by the Corporation as of January 1, 2014 and requires retrospective application. The adoption of the standard did not have a material effect on the Corporation.

IFRIC 21 – Levies is an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets which sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payment of the levy. The interpretation did not have a material effect on the Corporation.

(c) Financial instruments

Financial Instrument	Category	Measurement Method
Trade and other receivables	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Loans and 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 the Corporation 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 and loans and receivables.

3. Significant Accounting Policies (continued)

(c) Financial instruments (continued)

(c) Non-derivative financial assets (continued)

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognized at fair value plus any directly attributable transaction costs. Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

(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 the entity intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Bank overdrafts that are repayable on demand and form an integral part of the Corporation's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

The Corporation has the following non-derivative financial liabilities: loans and borrowings, 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.

(d) 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.

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.

3. Significant Accounting Policies (continued)

(d) Property, plant and equipment (continued)

(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.

(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 years
Camp setup & installation	Straight-line	-	2 to 5 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
Furniture, fixtures & other equipment	Straight-line	-	2 to 10 years
Asset retirement obligation	Straight-line	-	2 to 18 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.

(e) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures. 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 is 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
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)

(f) 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 loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

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.

3. Significant Accounting Policies (continued)

(g) 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 post-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 group of CGUs 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 recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3. Significant Accounting Policies (continued)

(h) Employee benefits

(i) Defined contribution plan

The Corporation's defined contribution plan which is a post-employment benefit plan under which the Corporation pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss when they are due.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under the short-term cash bonus plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(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.

(i) 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 risk-free 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. As at December 31, 2014 and 2013 the Corporation has recognized a provision for Asset Retirement Obligation.

(j) 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.

3. Significant Accounting Policies (continued)

(j) Revenue (continued)

(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.

(k) 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.

(l) 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.

3. Significant Accounting Policies (continued)

(m) 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.

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.

(n) 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.

(o) 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.

3. Significant Accounting Policies (continued)

(p) Foreign currency translation

The consolidated financial statements are presented in Canadian Dollars ("CAD").

Foreign currency transactions entered into are translated into the functional currency of the operations at the exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated into the functional currency 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 assets and liabilities on 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.

(q) 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, 2014, and have not been applied in preparing these consolidated financial statements. The Corporation intends to adopt IFRS 15 Revenue from Contracts with Customers which is effective for annual period beginning on or after January 1, 2017 and IFRS 9 Financial Instruments effective for annual periods beginning on or after January 1, 2018 into its financial statements. The extent of the impact of adoption of these standards has not yet been determined.

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.

4. Determination of fair values (continued)

(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), the weighted average expected life of the instruments (based on historical experience and general option holder behavior), the expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions are not taken into account in determining fair value.

5. Revenue

(000's)	Twelve months ended December 31,	
	2014	2013
Rental and Catering revenue	\$ 308,368	\$ 285,741
Construction contract revenue	118,666	227,650
Rendering of services	28,420	27,916
Sales of goods	20,606	13,080
	\$ 476,060	\$ 554,387

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

At December 31, 2014, advances received from customers under open construction contracts amounted to \$1,509,000 (2013 - \$2,702,000). 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,	
	2014	2013
Labour	\$ 181,765	\$ 211,204
Job supplies	92,553	112,297
Rental equipment	17,365	13,175
Repairs & maintenance	12,465	16,735
Trucking costs	11,344	16,919
Other operating expenses	44,812	38,677
Direct costs	\$ 360,304	\$ 409,007
Depreciation	53,927	47,623
Share based compensation	1,222	1,311
(Gain) loss on disposal of property, plant and equipment	(3,666)	6,152
	\$ 411,787	\$ 464,093

The amount of inventories recognized as an expense during the twelve months ended December 31, 2014 is \$62,148,000 (2013 - \$84,341,000).

Notes to the consolidated financial statements
Years ended December 31, 2014 and 2013



7. Selling & Administrative Expenses

<i>(000's)</i>	Twelve months ended December 31,	
	2014	2013
Salaries	\$ 13,546	\$ 11,619
Other selling & administrative expenses	9,344	7,427
Selling & administrative expenses	22,890	19,046
Amortization of intangible assets	2,968	7,060
Share based compensation	913	897
	\$ 26,771	\$ 27,003

8. Personnel expenses

<i>(000's)</i>	Twelve months ended December 31,	
	2014	2013
Wages, salaries & benefits	\$ 191,413	\$ 218,244
Contributions to defined contribution plans	3,898	4,579
Share based compensation	2,135	2,208
	\$ 197,446	\$ 225,031

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, 2014 was \$3,898,000 (2013 - \$4,579,000).

9. Finance Costs

<i>(000's)</i>	Twelve months ended December 31,	
	2014	2013
Interest expense	\$ 4,149	\$ 3,388
Accretion of discount on notes payable	168	371
Accretion of provisions	234	63
	\$ 4,551	\$ 3,822

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:

(000's)	Twelve months ended December 31,	
	2014	2013
Profit before tax	\$ 32,951	\$ 59,469
Combined federal and provincial income tax rate	25%	25%
Expected income tax provision	8,238	14,867
Non-deductible share based compensation	534	552
Revisions to prior year tax pool estimates	702	655
Change in estimated timing of realization of temporary differences	-	(397)
Differences in jurisdictional tax rates	5	104
Non-taxable portion of capital (gain) loss	(296)	995
Other	122	242
	\$ 9,305	\$ 17,018

For the year ended December 31, 2014 income tax expense was \$9,305,000, an effective tax rate of 28.2%, for the year ended December 31, 2013 income tax expense was \$17,018,000, an effective tax rate of 28.6%. The current year effective tax rate is greater than the statutory rate primarily due to the revision of the prior year tax pool estimates and permanent differences.

11. Trade and other receivables

(000's)	December 31, 2014	December 31, 2013
Trade receivables	\$ 57,652	\$ 36,611
Accrued receivables	20,634	19,413
Construction receivables	36,863	30,070
Loans and other receivables	1,183	927
Receivables due from related parties	475	900
	116,807	90,921
Allowance for doubtful	(733)	(65)
Trade and other receivables	\$ 116,074	\$ 90,856

Construction receivables represent progress billings to customers under open construction contracts, holdback amounts billed on construction contracts which are not due until the contract work is substantially completed, amounts recognized as revenue under open construction contracts not billed to customers and highly probable claims. 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, 2014	December 31, 2013
Raw materials	\$ 9,990	\$ 9,547
Finished goods	4,666	6,091
	\$ 14,656	\$ 15,638

Notes to the consolidated financial statements
Years ended December 31, 2014 and 2013



13. Property, Plant and Equipment

Cost (000's)	Balance December 31, 2013	Additions	Disposals	Impact of Foreign Translation	Balance December 31, 2014
Camp facilities, setup & installation	\$ 380,718	\$ 82,628	\$ (9,334)	\$ 82	\$ 454,094
Marine equipment	12,811	-	(12,811)	-	-
Land & Buildings	31,066	19,028	(3,542)	-	46,552
Automotive & trucking equipment	37,833	11,734	(3,545)	-	46,022
Mats	10,125	8,401	(4,388)	-	14,138
Furniture, fixtures & other equipment	6,849	1,003	(1,286)	-	6,566
Asset retirement obligation	5,316	-	-	-	5,316
Assets under construction	12,690	(8,213)	-	-	4,477
	\$ 497,408	\$ 114,581	\$ (34,906)	\$ 82	\$ 577,165

Accumulated Depreciation (000's)	Balance December 31, 2013	Depreciation	Disposals	Impact of Foreign Translation	Balance December 31, 2014
Camp facilities, setup & installation	\$ 96,672	\$ 39,067	\$ (4,883)	\$ 12	\$ 130,868
Marine equipment	12,070	60	(12,130)	-	-
Land & Buildings	8,538	1,616	(2,017)	-	8,137
Automotive & trucking equipment	20,359	5,371	(3,280)	-	22,450
Mats	6,593	5,056	(2,475)	-	9,174
Furniture, fixtures & other equipment	3,557	1,365	(1,275)	-	3,647
Asset retirement obligation	367	1,392	-	-	1,759
Assets under construction	-	-	-	-	-
	\$ 148,156	\$ 53,927	\$ (26,060)	\$ 12	\$ 176,035

Carrying Amounts (000's)	Balance December 31, 2013	Balance December 31, 2014
Camp facilities, setup & installation	\$ 284,046	\$ 323,226
Marine equipment	741	-
Land & Buildings	22,528	38,415
Automotive & trucking equipment	17,474	23,572
Mats	3,532	4,964
Furniture, fixtures & other equipment	3,292	2,919
Asset retirement obligation	4,949	3,557
Assets under construction	12,690	4,477
	\$ 349,252	\$ 401,130

During the year ended December 31, 2014, the Corporation disposed of its remaining marine equipment for a net gain on disposal of \$2,569,000.

13. Property, Plant and Equipment (continued)

Cost (000's)	Balance December 31, 2012	Additions	Disposals	Impact of Foreign Translation	Balance December 31, 2013
Camp facilities, setup & installation	\$ 343,032	\$ 64,032	\$ (26,493)	\$ 147	\$ 380,718
Marine equipment	18,830	-	(6,019)	-	12,811
Land & Buildings	31,638	2,677	(3,249)	-	31,066
Automotive & trucking equipment	32,162	6,830	(1,159)	-	37,833
Mats	8,703	5,561	(4,139)	-	10,125
Furniture, fixtures & other equipment	5,722	1,410	(283)	-	6,849
Asset retirement obligation	1,087	4,229	-	-	5,316
Assets under construction	3,208	9,636	(154)	-	12,690
	\$ 444,382	\$ 94,375	\$ (41,496)	\$ 147	\$ 497,408

Accumulated Depreciation (000's)	Balance December 31, 2012	Depreciation	Disposals	Impairment loss	Balance December 31, 2013
Camp facilities, setup & installation	\$ 65,929	\$ 36,904	\$ (6,176)	\$ 15	\$ 96,672
Marine equipment	15,682	192	(3,804)	-	12,070
Land & Buildings	7,287	1,541	(290)	-	8,538
Automotive & trucking equipment	17,137	4,044	(822)	-	20,359
Mats	4,962	3,936	(2,305)	-	6,593
Furniture, fixtures & other equipment	2,863	956	(262)	-	3,557
Asset retirement obligation	317	50	-	-	367
Assets under construction	-	-	-	-	-
	\$ 114,177	\$ 47,623	\$ (13,659)	\$ 15	\$ 148,156

Carrying Amounts (000's)	Balance December 31, 2012	Balance December 31, 2013
Camp facilities, setup & installation	\$ 277,103	\$ 284,046
Marine equipment	3,148	741
Land & Buildings	24,351	22,528
Automotive & trucking equipment	15,025	17,474
Mats	3,741	3,532
Furniture, fixtures & other equipment	2,859	3,292
Asset retirement obligation	770	4,949
Assets under construction	3,208	12,690
	\$ 330,205	\$ 349,252

13. Property, Plant and Equipment (continued)

(a) Assets under construction

At December 31, 2014, included in capital assets under construction is an office facility and fleet equipment under construction for both maintenance and expansion purposes. At December 31, 2013, the Corporation had 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, 2014 (2013 - \$nil), due to the short term nature of construction.

(b) Capital commitments

At December 31, 2014 the Corporation had no outstanding commitments to purchase property, plant and equipment (2013 - \$nil).

(c) Impairment loss

Property, Plant and Equipment assets are required to be tested for impairment when indicators are identified. The Corporation considers both qualitative and quantitative factors when determining whether an asset or CGU may be impaired. The Corporation noted the following indications of impairment for both Camp and Catering and Matting CGU's.

- During the year ended December 31, 2014 the market environment in which both CGU's operate has seen significant changes which are forecasted to have an adverse effect on the CGU's operation. As a result, management expects a moderate decline in earnings in the subsequent year.

There were no indicators of impairment identified for the year ended December 31, 2013.

(d) Impairment testing for cash-generating units

For the purpose of impairment testing, the Corporation's assets are grouped and reviewed at the CGU level which represent the lowest level at which cash flows are generated.

The recoverable amount determined using the 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. 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 based on a five year forecasted cash flow and extrapolated over the remaining useful life of the primary assets of 15 years and discounted at a rate of 12.1% (2013 – 11.8%). 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 12.5% at a market interest rate of 4%.
- The growth rate reflects the long-term average growth rates for the Camp and Catering CGU. The long-term average growth rate exceeds the selected growth rate of 6% given the current market conditions and the expectation of modest growth in subsequent periods.
- The expectation is the market environment will return to a normalized state, reflecting the financial performance as at December 31, 2014, during fiscal year 2016.

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

14. Intangible Assets and Goodwill

Intangible assets, other than goodwill, have finite useful lives. The 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, 2013	Additions	Removal of fully amortized	Balance December 31, 2014
Customer relationships	\$ 22,679	\$ -	\$ (22,679)	\$ -
Other intangible assets	-	-	-	-
Goodwill	1,664	-	-	1,664
	\$ 24,343	\$ -	\$ (22,679)	\$ 1,664

Amortization (000's)	Balance December 31, 2013	Amortization	Removal of fully amortized	Balance December 31, 2014
Customer relationships	\$ 19,711	\$ 2,968	\$ (22,679)	\$ -
Other intangible assets	-	-	-	-
Goodwill	-	-	-	-
	\$ 19,711	\$ 2,968	\$ (22,679)	\$ -

Carrying Amount (000's)	Balance December 31, 2013		Balance December 31, 2014
Customer relationships	\$ 2,968		\$ -
Other intangible assets	-		-
Goodwill	1,664		1,664
	\$ 4,632		\$ 1,664

Cost (000's)	Balance December 31, 2012	Additions	Removal of fully amortized	Balance December 31, 2013
Customer relationships	\$ 56,194	\$ -	\$ (33,515)	\$ 22,679
Other intangible assets	1,741	-	(1,741)	-
Goodwill	1,664	-	-	1,664
	\$ 59,599	\$ -	\$ (35,256)	\$ 24,343

Amortization (000's)	Balance December 31, 2012	Amortization	Removal of fully amortized	Balance December 31, 2013
Customer relationships	\$ 46,797	\$ 6,429	\$ (33,515)	\$ 19,711
Other intangible assets	1,110	631	(1,741)	-
Goodwill	-	-	-	-
	\$ 47,907	\$ 7,060	\$ (35,256)	\$ 19,711

Carrying Amount (000's)	Balance December 31, 2012		Balance December 31, 2013
Customer relationships	\$ 9,397		\$ 2,968
Other intangible assets	631		-
Goodwill	1,664		1,664
	\$ 11,692		\$ 4,632

14. Intangible Assets and Goodwill (continued)

(a) Impairment loss

Intangible assets with an indefinite useful life are required to be tested annually for impairment. The Corporation's intangible assets have a definite useful life and have been fully amortized in the current year.

There were no indicators of impairment identified for the year ended December 31, 2013.

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

For the purpose of impairment testing, goodwill is allocated to the Corporation's CGU 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, 2014 the aggregate carrying amount of goodwill is \$1,664,000 (2013 - \$1,664,000), allocated entirely to the Camp and Catering CGU.

The recoverable amount determined using the 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 2014 was determined similarly as in 2013. The calculation of the value in use was based on the same key assumptions disclosed in Note 13 (d).

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. 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, British Columbia. The amount expensed during the year ended December 31, 2014 related to the prepaid lease was \$128,000 (2013 - \$128,000) with 20 years remaining. Also included in other assets as at December 31, 2014 is a \$nil (2013 - \$nil) equity accounted investment in a joint venture as a result of a retained deficit.

Notes to the consolidated financial statements
Years ended December 31, 2014 and 2013



16. Loans and Borrowings

<i>(000's)</i>	December 31, 2014	December 31, 2013
Committed credit facility	\$ 146,370	\$ 70,756
Notes payable	4,824	5,655
Vehicle and equipment financing	\$ 2,844	\$ 3,341
	\$ 154,038	\$ 79,752
Less current portion	(7,668)	(1,496)
	\$ 146,370	\$ 78,256

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

On August 13, 2014, the Corporation's committed credit facility ("credit facility") was increased to \$175,000,000 from \$150,000,000. The credit facility is extendable annually at the Corporation's request and subject to lender approval. The credit facility is secured by a \$300,000,000 first fixed and floating charge debenture over all assets of the Corporation and its wholly owned subsidiaries. The interest rate is calculated on a grid pricing structure based on the Corporation's debt to EBITDAS ratio. Amounts drawn on the credit facility incur interest at bank prime rate plus 0.50% to 1.00% or the Bankers' Acceptance rate plus 1.50% to 2.00%. The credit facility has a standby fee ranging from 0.34% to 0.45%. Debt to EBITDAS is calculated as at the quarter end for the most recently completed calendar quarter and for the 12 months ended on such date. Amounts borrowed under the facility become due on October 26, 2016, the maturity date of the facility. As at December 31, 2014, the Corporation was in compliance with all financial and non-financial covenants. The calculations of the Corporation's financial covenants for its committed credit facility are shown below:

Debt Covenants	December 31, 2014
Debt ⁽¹⁾ to EBITDAS ^{(2)/(3)} – must be less than 2.0:1	1.6:1
Interest coverage ⁽⁴⁾ – must be greater than 3.0:1	22.4:1

(5) Debt is calculated as the sum of current and long-term portions of loans and borrowings, excluding vehicle and equipment financing.

(6) EBITDAS (Earnings before finance costs, taxes, depreciation, amortization, gain/loss on disposal of property, plant and equipment, and share based compensation) is not a recognized measure under IFRS. Horizon's method of calculating EBITDAS may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities.

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

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

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, 2014 these notes were recorded at an amortized cost amount of \$4,824,000.

Principal Repayments for Loans and Borrowings

<i>(000's)</i>	Amount
2015	\$ 7,668
2016	146,370
2017	-
2018	-
2019 and beyond	-
	\$ 154,038

17. Asset retirement obligations and commitments

- (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.

<i>(000's)</i>	December 31, 2014	December 31, 2013
Balance, beginning of year	\$ 5,656	\$ 1,364
Additions	-	4,229
Accretion of provisions	234	63
Balance, end of year	\$ 5,890	\$ 5,656

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 future value amount at December 31, 2014 was \$7,561,000 (2013 - \$7,561,000) and determined using a present value discount rate of 4% and an inflation rate of 1%. 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 between 2016 and 2030.

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

Maturity date	Amount <i>(000's)</i>
January 16, 2015	\$ 25
February 1, 2015	50
June 9, 2015	74
September 22, 2015	84

- (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:

<i>(000's)</i>	Amount
2015	\$ 5,985
2016	3,012
2017	2,233
2018	1,073
2019 and beyond	1,766
	\$ 14,069

18. Deferred tax assets and liabilities

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

<i>(000's)</i>	December 31, 2014	December 31, 2013
Deductible temporary differences	\$ 36	\$ 52
Tax losses	392	373
Balance, end of year	\$ 428	\$ 425

Tax losses not recognized expire in 2028 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 \$1,566,000 available to reduce future taxable income in Canada, which will expire as follows:

<i>(000's)</i>	Amount
2015	\$ -
2016	-
2017	-
2018	-
2019 and beyond	1,566
	\$ 1,566

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

<i>(000's)</i>	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
Property, plant and equipment	\$ -	\$ 249	\$ (37,221)	\$ (32,807)	\$ (37,221)	\$ (32,558)
Intangibles	2,563	1,997	-	-	2,563	1,997
Goodwill	2,346	2,523	(151)	(151)	2,195	2,372
Deferred partnership income	-	-	(3,501)	(5,030)	(3,501)	(5,030)
Non-capital loss carry forwards	414	818	-	-	414	818
Net capital loss carry forwards	558	710	-	-	558	710
Restructuring costs	50	122	-	-	50	122
Asset retirement obligation	1,435	1,378	-	-	1,435	1,378
Reserves	1,073	386	(291)	-	782	386
Deferred tax asset					414	1,067
Deferred tax liability					(33,139)	(30,872)
					\$ (32,725)	\$ (29,805)

18. Deferred tax assets and liabilities (continued)

Movements in temporary differences during the year are as follows:

(000's)	December 31, 2013	Recognized in profit and loss	December 31, 2014
Property, plant and equipment	\$ (32,558)	\$ (4,663)	\$ (37,221)
Intangibles	1,997	567	2,564
Goodwill	2,372	(177)	2,195
Deferred partnership income	(5,030)	1,529	(3,501)
Non-capital loss carry forwards	818	(404)	414
Net capital loss carry forwards	710	(152)	558
Restructuring costs	122	(72)	50
Asset retirement obligation	1,378	57	1,435
Reserves	386	396	782
	\$ (29,805)	\$ (2,920)	\$ (32,725)

19. 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 December 31, 2012	108,709,275	\$ 179,999
Share options exercised	1,375,609	3,852
Balance at December 31, 2013	110,084,884	\$ 183,851
Share options exercised	416,767	1,741
Balance at December 31, 2014	110,501,651	\$ 185,592

(c) Share option plan

The Corporation has a share option plan for its directors, officers, and key employees whereby options may be granted, to a maximum of 10% of the issued and outstanding common shares, subject to terms and conditions. Share option vesting privileges are at the discretion of the Board of Directors and were set at three years. The Corporation uses graded vesting for share options over the period in which the option vests. All share options are equity settled with a weighted average remaining contractual life of 3.1 years and all options granted have a maximum term of 5 years with the exception of options granted on July 25, 2006 which have a maximum term of 10 years.

	Year ended December 31, 2014		Year ended December 31, 2013	
	Outstanding options	Weighted average exercise price	Outstanding options	Weighted average exercise price
Balance, beginning of year	3,711,955	\$ 5.46	4,914,831	\$ 4.40
Granted	2,383,518	7.54	321,400	6.77
Forfeited	(358,719)	7.14	(148,667)	5.59
Exercised	(416,767)	3.10	(1,375,609)	1.96
Balance, end of year	5,319,987	\$ 6.47	3,711,955	\$ 5.46

19. Share Capital (continued)

(c) Share option plan (continued)

	Year ended December 31, 2014		Year ended December 31, 2013	
	Exercisable options	Weighted average exercise price	Exercisable options	Weighted average exercise price
Balance, beginning of year	1,395,876	\$ 4.06	2,096,712	\$ 2.10
Vested	1,087,929	6.27	681,773	5.87
Expired	(23,332)	6.25	(7,000)	6.25
Exercised	(416,767)	3.10	(1,375,609)	1.96
Balance, end of year	2,043,706	\$ 5.41	1,395,876	\$ 4.06

The exercise prices for options outstanding at December 31, 2014 are as follows:

Exercise price per share	Total options outstanding			Exercisable options	
	Number	Weighted average exercise price per share	Weighted average remaining contractual life in years	Number	Weighted average exercise price per share
\$3.31 to \$6.20	903,667	\$ 3.98	2.0	737,998	\$ 3.70
\$6.21 to \$6.27	1,992,186	6.25	2.3	1,156,545	6.25
\$6.28 to \$7.29	245,000	6.76	3.3	94,998	6.79
\$7.30 to \$7.80	2,051,068	7.62	4.4	-	-
\$7.81 to \$9.01	128,066	8.27	3.6	54,165	8.23
	5,319,987	\$ 6.47	3.1	2,043,706	\$ 5.41

The weighted average share price at the date of exercise for share options exercised during the year ended December 31, 2014 was \$5.40/share (2013 - \$7.20/share).

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, 2014	December 31, 2013
Weighted average fair value per option	\$ 1.30	\$ 1.47
Weighted average forfeiture rate	6.75%	6.61%
Weighted average grant price	\$ 7.54	\$ 6.77
Weighted average expected life	3.0 years	3.02 years
Weighted average risk free interest rate	1.18%	1.20%
Weighted average dividend yield rate	4.0%	3.74%
Weighted average volatility	33.94%	39.9%

Expected volatility is estimated by considering historic average share price volatility. For the twelve months ended December 31, 2014, share based compensation for share options included in net earnings amounted to \$2,135,000 (2013 - \$2,208,000).

20. Earnings Per Share

The calculation of basic earnings per share for the twelve months ended December 31, 2014 was based on the total profit attributable to common shareholders of \$23,646,000 (2013 - \$42,451,000).

A summary of the common shares used in calculating earnings per share for the twelve months ended December 31, 2014 and 2013 is as follows:

	2014	2013
Number of common shares, beginning of period	110,084,884	108,709,275
Weighted average effect of share options exercised	204,412	631,198
Weighted average common shares outstanding – basic	110,289,296	109,340,473
Effect of share purchase options ⁽¹⁾	387,988	1,101,356
Weighted average common shares outstanding – diluted	110,677,284	110,441,829

(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, 2014, 4,587,987 share options (2013 - 2,206,700) were excluded from the calculation of weighted average common shares outstanding - diluted as the result would be anti-dilutive.

21. Dividends

On October 28, 2014, the Corporation's Board of Directors declared the 2014 fourth quarter dividend of \$0.08 per common voting share. For the twelve months ended December 31, 2014, the Corporation paid dividends totaling \$33,347,000 respectively (December 31, 2013 - \$25,938,000).

(000's except per share amounts)	2014		2013	
	Amount per share	Total dividend amount	Amount per share	Total dividend amount
Record Date				
March 31	\$ 0.08	\$ 8,817	\$ 0.0625	\$ 6,808
June 30	0.08	8,825	0.0625	6,838
September 30	0.08	8,825	0.0625	6,852
December 31	0.08	8,840	0.0625	6,880
	\$ 0.32	\$ 35,307	\$ 0.25	\$ 27,378

On February 18, 2015, the Corporation's Board of Directors declared a dividend for the first quarter of 2015 at \$0.08 per share. The dividend is payable to shareholders of record at the close of business on March 31, 2015 to be paid on April 15, 2015.

22. Financial Risk Management

(d) 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.

22. Financial Risk Management (continued)

(e) 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:

<i>(000's)</i>	December 31, 2014	December 31, 2013
Neither impaired nor past due	\$ 36,511	\$ 20,409
Impaired	733	65
Outstanding 31-60 days	14,994	13,963
Outstanding 61-90 days	4,761	4,001
Outstanding more than 90 days	1,128	2,073
Total	58,127	40,511
Allowance for doubtful accounts	(733)	(65)
Accrued revenue	20,634	19,413
Construction receivables	36,863	30,070
Other receivables	1,183	927
Total trade and other receivables	\$ 116,074	\$ 90,856

In the twelve months ended December 31, 2014, the Corporation provided an allowance for \$758,000 of receivables aged greater than 90 days and collected \$12,000 that had previously been allowed for. The Corporation also applied \$79,000 of allowance for doubtful accounts against the associated receivable balance. As at February 18, 2015, the Corporation has collected \$746,500 on amounts outstanding more than 90 days.

Construction receivables represent progress billings to customers under open construction contracts, holdback amounts billed on construction contracts which are not due until the contract work is substantially completed, amounts recognized as revenue under open construction contracts not billed to customers and highly probable claims. At December 31, 2014, included in construction receivables were holdbacks of \$6,800,000 (2013 - \$8,400,000). The total of construction receivables aged less than 90 days was 68% at December 31, 2014 (2013 - 88%).

(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.

22. Financial Risk Management (continued)

(f) Liquidity risk (continued)

On August 13, 2014, the Corporation's committed credit facility ("credit facility") was increased to \$175,000,000 from \$150,000,000. The credit facility is extendable annually at the Corporation's request and subject to lender approval. The credit facility is secured by a \$300,000,000 first fixed and floating charge debenture over all assets of the Corporation and its wholly owned subsidiaries. The interest rate is calculated on a grid pricing structure based on the Corporation's debt to EBITDAS ratio. Amounts drawn on the credit facility incur interest at bank prime rate plus 0.50% to 1.00% or the Bankers' Acceptance rate plus 1.50% to 2.00%. The credit facility has a standby fee ranging from 0.34% to 0.45%. Debt to EBITDAS is calculated as at the quarter end for the most recently completed calendar quarter and for the 12 months ended on such date. Amounts borrowed under the facility become due on October 26, 2016, the maturity date of the facility.

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

	December 31, 2014			December 31, 2013		
	Trade and other payables ⁽¹⁾	Loans and borrowings ⁽²⁾	Total	Trade and other payables ⁽¹⁾	Loans and borrowings ⁽²⁾	Total
Year 1	\$ 58,069	\$ 7,668	\$ 65,737	\$ 56,961	\$ 1,496	\$ 58,457
Year 2	-	146,370	146,370	-	7,500	7,500
Year 3	-	-	-	-	70,756	70,756
Year 4	-	-	-	-	-	-
Year 5 and beyond	5,890	-	5,890	5,656	-	5,656
	\$ 63,959	\$ 154,038	\$ 217,997	\$ 62,617	\$ 79,752	\$ 142,369

1. Trade and other payables include trade and other payables, income taxes payable, and asset retirement provisions.

2. Loans and borrowings include non-interest bearing notes payable, vehicle and equipment financing and committed credit 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.

(iii) Foreign currency exchange risk

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 twelve months ended December 31, 2014 by approximately \$136,000 (December 31, 2013 - \$182,500). This assumes that the quantity of USD raw material purchases and the foreign operations in the year remain unchanged and that the change in the USD/CAD exchange rate is effective from the beginning of the year.

(iv) 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 0.625%. If prime were to have increased by 1.00%, it is estimated that the Corporation's net earnings would have decreased by approximately \$1,254,000 for the twelve months ended December 31, 2014 (December 31, 2013 - \$933,500). This assumes that the amount and mix of fixed and floating rate debt in the year remains unchanged and that the change in interest rates is effective from the beginning of the year.

23. 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, 2014, which was unchanged from 2013, is 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, 2014	December 31, 2013
Statement of financial position components of ratios		
Current loans and borrowings ⁽²⁾	\$ 7,668	\$ 1,496
Loans and borrowings ⁽²⁾	146,370	78,256
Total loans and borrowings	154,038	79,752
Shareholders' equity	286,574	294,427
Total loans and borrowings plus shareholders' equity	\$ 440,612	\$ 374,179
Statement of comprehensive income components of ratios (trailing 12 months)		
Operating earnings	\$ 37,502	\$ 63,291
Depreciation	53,927	47,623
Amortization	2,968	7,060
Loss (gain) on disposal of property, plant and equipment	(3,666)	6,152
Share based compensation	2,135	2,208
EBITDAS ⁽¹⁾	\$ 92,866	\$ 126,334
Total loans and borrowings to EBITDAS ⁽¹⁾	1.66	0.63
Total loans and borrowings to total loans and borrowings plus shareholders' equity	0.35	0.21

(1) EBITDAS (Earnings before finance costs, taxes, depreciation, amortization, 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, vehicle and equipment financing 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 and vehicle and equipment financing are non-interest bearing without a fixed term of repayment and have been initially measured at fair value.

24. Operating segments

The Corporation operates in Canada and the US through two business segments: Camps & Catering and Matting. The Camps & Catering segment includes camp rental and catering services, marine operations 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.

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, 2014 (000's)	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	\$ 410,499	\$ 67,172	\$ -	\$ (1,611)	\$ 476,060
EBITDAS ⁽¹⁾	91,181	15,505	(13,820)	-	92,866
Depreciation and amortization	48,102	7,972	1,015	(194)	56,895
(Gain) loss on disposal of assets	(3,682)	25	(9)	-	(3,666)
Share based compensation	1,014	208	913	-	2,135
Operating earnings (loss)	45,747	7,300	(15,739)	194	37,502
Total assets	492,461	44,377	3,140	-	539,978
Capital expenditures	98,158	15,412	1,011	-	114,581

Twelve months ended December 31, 2013 (000's)	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	\$ 496,594	\$ 62,419	\$ -	\$ (4,626)	\$ 554,387
EBITDAS ⁽¹⁾	120,977	17,760	(12,372)	(31)	126,334
Depreciation and amortization	46,197	8,112	583	(209)	54,683
Loss (gain) on disposal of assets	6,173	(21)	-	-	6,152
Share based compensation	1,143	168	897	-	2,208
Operating earnings (loss)	67,464	9,501	(13,852)	178	63,291
Total assets	433,908	33,606	3,601	-	471,115
Capital expenditures	78,519	10,382	1,292	(47)	90,146

The Corporation has one major customer in the Camps & Catering segment which generated a combined 11% of total revenues for the year ended December 31, 2014 (December 31, 2013 – 24%).

(1) EBITDAS (Earnings before interest, taxes, depreciation, amortization, 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.

Notes to the consolidated financial statements
Years ended December 31, 2014 and 2013



25. Related Parties

<i>(000's)</i>	December 31, 2014	December 31, 2013
Joint venture		
Recovery of administrative overhead	30	30
Key management personnel interests		
Sales	-	947
Included in accounts receivable	475	395

Key management personnel include the directors and officers of Horizon that are also directors or officers of other companies. 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, 2014 and 2013 is comprised as follows:

<i>(000's)</i>	December 31, 2014	December 31, 2013
Short-term employee benefits	\$ 3,600	\$ 3,732
Post-employment benefits	102	77
Termination benefits	925	-
Other long-term benefits	-	-
Share based compensation	754	772

26. Supplemental Information

Components of change in non-cash working capital balances related to operating activities:

<i>(000's)</i>	December 31, 2014	December 31, 2013
Accounts receivable	\$ (25,218)	\$ 42,339
Inventory	982	(2,317)
Prepaid expenses	(611)	(494)
Accounts payable and accrued liabilities	(3,060)	(4,275)
Deferred revenue	(1,179)	2,859
Finance cost payable	83	24
	\$ (29,003)	\$ 38,136

27. Significant Subsidiaries

The consolidated financial statements of Horizon North Logistics Inc., the parent company, include the accounts of the Corporation and its following one indirectly wholly-owned partnership, as well as three special purpose entities:

Subsidiary Name	Country of Incorporation	Ownership Interest (%)	
		December 31, 2014	December 31, 2013
Horizon North Camp & Catering Partnership ("Partnership")	Canada	100	100
Swamp Mats Inc. ("SMI")	Canada	-	100
Kitikmeot Caterers Ltd ("Kitikmeot")	Canada	49	49
Acho Horizon North Camp Services Limited Partnership ("Acho")	Canada	49	49
Secwepemc Camps & Catering Limited Partnership ("Secwepemc")	Canada	49	49

During the year ended December 31, 2014 the assets of SMI were transferred into the Partnership and the entity was dissolved. The Partnership is the primary operating entity of the Corporation.

(a) Special purpose entities

The Corporation has a 49% interest in the ownership and voting rights of Kitikmeot, Acho, and Secwepemc and maintains two out of four board of director seats in these special purpose entities ("SPE"). These SPE's are 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. The SPE's do not generate profit but rather have limited assets and the only non-flow through expenses are management fees paid to the partners. An aboriginal billing vehicle or partnership is required to achieve aboriginal participation and secure projects in specific regions of Canada. The Corporations control is established under terms that impose strict limitations on the decision-making powers of the SPE's management. The control results 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.

The summarized aggregate financial information of the special purpose entities is provided below.

(000's)	Total Assets	Total Liabilities	Revenue	Profit or (Loss)
Kitikmeot Caterers Ltd	\$ 1,590	1,590	2,178	\$ -
Acho Horizon North Camp Services Limited Partnership	2,594	2,594	17,890	-
Secwepemc Camps & Catering Limited Partnership	2,481	2,481	12,529	-
December 31, 2014	\$ 6,665	6,665	32,597	\$ -

(000's)	Total Assets	Total Liabilities	Revenue	Profit or (Loss)
Kitikmeot Caterers Ltd	\$ 573	573	1,744	\$ -
Acho Horizon North Camp Services Limited Partnership	8,626	8,626	12,118	-
Secwepemc Camps & Catering Limited Partnership	3,294	3,294	12,593	-
December 31, 2013	\$ 12,493	12,493	26,455	\$ -

Corporate Information

Directors

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Calgary, Alberta

Kevin D. Nabholz⁽¹⁾⁽²⁾⁽³⁾
Calgary, Alberta

Russell Newmark⁽¹⁾⁽²⁾
Calgary, Alberta

Ric Peterson⁽³⁾
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Ann Rooney⁽¹⁾⁽²⁾
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

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Scott Matson
Vice President Finance and Chief Financial Officer

Craig Shenher
Senior Vice President Business Development

Bill Anderson
Vice President HSE and Quality

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