



HORIZON NORTH
Logistics Inc

ANNUAL REPORT 2009

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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 Thursday, May 6, 2010 at 3:00 p.m. (local time) in the Royal Room, Metropolitan Conference Centre, 333-4th Avenue S.W., 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") YEAR ENDED DECEMBER 31, 2009

This Management's Discussion and Analysis, prepared as at February 25, 2010, focuses on key statistics from the Consolidated Financial Statements and pertains to known risks and uncertainties relating to the business carried on by Horizon North Logistics Inc. (the "Corporation" or "Horizon"). This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions.

Highlights

<i>(000's except per share amounts)</i>	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Revenue	\$ 143,892	\$ 180,779	\$ 95,846
EBITDAS ⁽¹⁾	33,517	45,143	23,054
Operating earnings ⁽¹⁾	8,486	20,086	7,764
Earnings before goodwill impairment loss ⁽²⁾	5,456	12,588	6,080
Goodwill impairment loss	-	110,537	-
Net (loss) earnings	5,456	(97,949)	6,080
Net (loss) earnings per share - diluted	\$ 0.05	\$ (0.89)	\$ 0.07
Total assets	239,507	247,181	321,413
Total long-term financial liabilities ⁽³⁾	44,702	47,946	23,387
Funds from operations ⁽⁴⁾	29,381	36,356	14,872
Capital spending	33,026	56,174	32,104
Proceeds from issuance of common shares	-	-	56,950
Business acquisitions, net of cash acquired	818	581	59,170
Debt to total capitalization ratio	0.21:1	0.22:1	0.08:1

(1) EBITDAS (Earnings before interest, taxes, depreciation, amortization, gain/loss on disposal of property, plant and equipment and stock based compensation) and operating earnings are not recognized measures under Canadian generally accepted accounting principles (GAAP). 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. Management believes that in addition to net earnings, operating earnings is a useful supplemental measure as it provides an indication of the results generated by the Corporation's principal business activities prior to consideration of how those activities are financed or taxed. Investors should be cautioned, however, that EBITDAS and operating earnings should not be construed as alternatives to net earnings determined in accordance with GAAP as an indicator of the Corporation's performance. Horizon's method of calculating EBITDAS and operating earnings may differ from other entities and accordingly, EBITDAS and operating earnings may not be comparable to measures used by other entities. For a reconciliation of EBITDAS and operating earnings to net earnings, please refer to page 5 of the Management's Discussion and Analysis.

(2) Earnings before goodwill impairment loss is not a recognized measure under GAAP. Horizon's method of calculating earnings before goodwill impairment loss may differ from other entities and accordingly, earnings before goodwill impairment loss may not be comparable to measures used by other entities. For a reconciliation of earnings before goodwill impairment loss to net earnings, please refer to page 5 of the Management's Discussion and Analysis.

(3) Long-term financial liabilities include operating lines of credit, the current and long-term portions of long-term debt, and exclude deferred financing costs.

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

Overview of Horizon's Objectives, Strategies and Outlook

Horizon's primary objective in 2009 was to maintain the strength of the Corporation's balance sheet in the face of the difficulties facing the world economy. Total borrowings at the end of 2009 amounted to \$44.7 million compared to \$47.9 million at the end of 2008. Pro-active measures were taken to achieve this objective including employee salary reductions led by a 20% rollback in senior management ranks, maintaining staffing levels consistent with activity levels particularly in our manufacturing plants and strict capital spending controls. The Corporation's annual bonus incentive plans are also designed to be sensitive to profitability levels.

A strong balance sheet and relatively good cash flow from operations of \$29.4 million facilitated a number of initiatives that should have a positive impact on future results. These initiatives include the following:

- In late 2008, the Grande Prairie camp manufacturing facility was expanded by 25% to now include 40,300 square feet of heated, covered space. The expansion was left idle in 2009 but is now being fully utilized.
- In late 2009, 20,000 square feet of additional space was acquired adjacent to the primary Kamloops manufacturing facility. Total space at this location now amounts to 72,000 square feet. Minor modifications to the new space are currently underway and the facility will be fully functional by the end of March 2010.
- In July 2009, the Corporation acquired Paramount Structures Inc., a company that had developed a unique blast resistant structure for use at refineries and petrochemical plants to protect employees whose jobs take them close to potential blast sources. Units are currently being built in our Grande Prairie manufacturing facilities and first sale and rental revenues will be recognized in the first quarter of 2010.
- In December 2009, Horizon acquired the Canadian based drill camp fleet from Ensign Energy Services Inc., significantly increasing the Corporation's share of the side by side drill camp market. What made this transaction particularly attractive was the opportunity to forge a close working relationship with one of Canada's premier drilling contractors.
- During 2009, the Corporation repurchased 5.2 million of its common shares at an average price of \$1.23 per share. The Corporation took this action as a result of its view that its shares were undervalued and the purchase and cancelation of shares represented an attractive investment that would benefit all shareholders.

It is cliché to say "what a difference a year makes", but it is very true when you consider the business prospects Horizon is now facing compared to this time last year. Commitments for camp manufacturing and sales are growing weekly and bidding activity is strong with new projects being announced on a regular basis. The BlackSands camp facilities in Fort McMurray are fully occupied and plans are in place to expand the executive accommodation at that location by 148 beds. We continue to look for locations and opportunities to build another such facility.

Much of the optimism portrayed in the preceding paragraph stems from improved economic conditions in the oil sands and minerals mining businesses. Crude oil prices have improved from the low \$30 range to hold steady in the \$70 to \$80 range. With this expansion and other improvements at the site, Horizon's 2010 capital budget has increased from \$15.0 million to \$23.0 million. Mineral prices have also improved, led by record prices for gold. The worst of the financial markets crisis appears to be over and capital markets have opened up to provide funding for resource development projects. We expect these developments to have a positive impact on 2010 results.

Description of Horizon's Business Segments

Camps & Catering

The primary assets of the Camps & Catering segment as at December 31, 2009 are as follows:

Beds in rental fleet	4,863
Space rental fleet	950 units
Beds in northern base camp in Tuktoyaktuk, Northwest Territories	280
Beds in northern base camp at Swimming Point, Northwest Territories (50% owned by Horizon)	80
Camp manufacturing plant in Grande Prairie, Alberta	40,300 sq. ft.
Primary camp manufacturing plant in Kamloops, British Columbia	72,000 sq. ft.
Secondary camp manufacturing plant in Kamloops, British Columbia	26,000 sq. ft.
Total camp manufacturing facilities	138,300 sq. ft.

Horizon utilizes its camp manufacturing facilities to build-up its rental fleet and build camps for resale. Horizon provides a variety of camp-related services to its customers including camp transportation, installation, and service. Horizon also provides catering services throughout Alberta, British Columbia, the Northwest Territories, the Yukon and Nunavut.

The Camps & Catering segment provides services primarily to customers in the oil and gas and mining sectors in western and northern Canada. In 2008, Horizon completed the installation of a 500-bed executive lodge for use by oil sands developers in the Fort McMurray region of northern Alberta. Horizon further diversified its customer base in late 2007 through the acquisition of Northern Trailer which has long-standing relationships within the mining industry. The acquisition of Northern Trailer and a focus on oil sands development has helped reduce the impact on Horizon's business of the seasonal conventional oil and gas exploration and production sector.

In the third quarter of 2009, Horizon invested in the development of a new product line by acquiring Paramount Structures Inc. Paramount has developed a unique blast resistant structure for use at refineries and petrochemical plants to protect employees whose jobs take them close to potential blast sources. Paramount's products were in the final stages of design development with production beginning in the fourth quarter of 2009.

Horizon's Camps & Catering segment employed an average workforce of 543 in 2009 as compared to 688 in 2008 and exited the year at 576. The camp and catering segment's variable cost structure has allowed the Corporation to reduce its workforce to match lower activity levels.

Matting

The primary assets of the Matting segment as at December 31, 2009 are as follows:

Rental mats ⁽¹⁾	13,421
Rig mats	47
New mats ⁽¹⁾	2,243
Total mats	15,711
Mats managed for customers	55,000
Semi-trucks & trailers	15
Loaders	24
Mat manufacturing plant and maintenance shop in Grande Prairie, Alberta	17,500 sq. ft.

(1) New mats are newly manufactured mats which have not yet been rented. Once a mat has been rented, it is categorized as a rental mat.

Horizon's mat manufacturing facility operates year-round. In 2009, mat manufacturing capacity was balanced between meeting mat sales demand and construction of replacement rental fleet while in 2008 manufacturing capacity was directed primarily towards increasing the rental fleet. Mats are used to provide a temporary structural surface over unstable ground to facilitate the movement and operation of heavy equipment. Mat sales are typically concentrated in the first and fourth quarters of the year while rentals occur throughout the year, depending on customer demand.

Horizon's Matting segment employed an average workforce of 60 in 2009 as compared to 80 in 2008 and exited the year at 61. The mat manufacturing operations are labour intensive and rapidly scalable. Throughout 2009, Horizon carefully managed its manufacturing output and associated headcount.

Marine Services

The primary assets of the Marine Services segment as at December 31, 2009 are as follows:

Barges	10
Tugs	5
Barge camps	2
Construction and barge camp	1

Horizon's barges and tugs are used primarily to move equipment on the Mackenzie River between Hay River and Tuktoyaktuk between mid-June and mid-September. Horizon also provides rental of the barge camps and construction and barge camp, complete with catering services provided through Horizon's 50% joint venture, Arctic Oil & Gas Services Inc.

Horizon's Marine Services segment employed an average workforce of 16 in 2009 as compared to 31 in 2008 and exited the year at 5. During the summer months headcount peaked at 34 as maintenance was being performed on the marine equipment.

Financial Results

Year ended December 31, 2009						
(000's)	Camps & Catering	Matting	Marine Services	Corporate	Inter-segment Eliminations	Total
Revenue	\$ 120,516	\$ 19,798	\$ 5,102	\$ -	\$ (1,524)	\$ 143,892
Expenses						
Cost of goods sold	22,474	3,264	-	-	(104)	25,634
Operating	63,132	10,011	3,638	-	(1,386)	75,395
General & administrative	2,549	479	4	6,251	-	9,283
Foreign exchange loss (gain)	19	190	(3)	(143)	-	63
EBITDAS	\$ 32,342	\$ 5,854	\$ 1,463	\$ (6,108)	\$ (34)	\$ 33,517
Stock based compensation	335	99	9	78	-	521
Depreciation & amortization	18,775	5,821	1,165	240	(84)	25,917
Gain on disposal of property, plant & equipment	(1,398)	(9)	-	-	-	(1,407)
Operating earnings (loss)	\$ 14,630	\$ (57)	\$ 289	\$ (6,426)	\$ 50	\$ 8,486
Interest income						(88)
Interest expense on operating lines of credit						270
Interest expense on long-term debt						1,350
Earnings on equity investments						(729)
Income tax expense						2,227
Net earnings						<u>\$ 5,456</u>

Year ended December 31, 2008						
(000's)	Camps & Catering	Matting	Marine Services	Corporate	Inter-segment Eliminations	Total
Revenue	\$ 137,025	\$ 36,166	\$ 10,447	\$ -	\$ (2,859)	\$ 180,779
Expenses						
Cost of goods sold	23,138	12,389	218	-	(193)	35,552
Operating	69,456	14,942	7,288	-	(2,356)	89,330
General & administrative	2,413	494	-	7,799	-	10,706
Foreign exchange loss (gain)	-	179	-	(131)	-	48
EBITDAS	\$ 42,018	\$ 8,162	\$ 2,941	\$ (7,668)	\$ (310)	\$ 45,143
Stock based compensation	809	196	19	738	-	1,762
Depreciation & amortization	16,037	6,060	1,075	174	(64)	23,282
Loss (gain) on disposal of property, plant & equipment	30	(17)	-	-	-	13
Operating earnings (loss)	\$ 25,142	\$ 1,923	\$ 1,847	\$ (8,580)	\$ (246)	\$ 20,086
Interest income						(39)
Interest expense on operating lines of credit						647
Interest expense on long-term debt						1,657
Earnings on equity investments						(589)
Income tax expense						5,822
Earnings before goodwill impairment loss						12,588
Goodwill impairment loss						114,910
Income tax recovery associated with goodwill impairment loss						(4,373)
Net loss						<u>\$ (97,949)</u>

Camps & Catering

Camps & Catering revenue is comprised of camp, catering and service revenue, camp and space sales, and space rental revenue as follows:

(000's except rental days and mandays)	Three months ended				Year ended
	March 2009	June 2009	September 2009	December 2009	December 2009
Revenue from operations					
Camps, catering & service revenue	\$ 26,583	\$ 16,088	\$ 17,536	\$ 16,736	\$ 76,943
Camp sales revenue	3,262	10,488	5,437	7,334	26,521
Space sales revenue	1,690	451	2,067	942	5,150
Space rental revenue	642	1,450	1,063	747	3,902
Revenue from operations	\$ 32,177	\$ 28,477	\$ 26,103	\$ 25,759	112,516
Contract cancellation fee	-	8,000	-	-	8,000
Total revenue	\$ 32,177	\$ 36,477	\$ 26,103	\$ 25,759	\$ 120,516
EBITDAS					
Operations	\$ 11,881	\$ 6,551	\$ 4,785	\$ 1,125	\$ 24,342
Contract cancellation fee	-	8,000	-	-	8,000
Total EBITDAS	\$ 11,881	\$ 14,551	\$ 4,785	\$ 1,125	\$ 32,342
Operating earnings					
Operations	\$ 6,632	\$ 2,357	\$ 896	\$ (3,255)	\$ 6,630
Contract cancellation fee	-	8,000	-	-	8,000
Total Operating earnings	\$ 6,632	\$ 10,357	\$ 896	\$ (3,255)	\$ 14,630
Bed rental days ⁽¹⁾	133,315	108,801	109,417	83,966	435,499
Catering mandays ⁽²⁾	111,893	92,017	87,439	83,364	374,713

(000's except rental days and mandays)	Three months ended				Year ended
	March 2008	June 2008	September 2008	December 2008	December 2008
Camps, catering & service revenue	\$ 18,787	\$ 17,969	\$ 27,288	\$ 32,380	\$ 96,424
Camp sales revenue	6,197	3,430	6,563	10,245	26,435
Space sales revenue	2,723	1,680	2,787	2,048	9,238
Space rental revenue	1,100	1,473	1,084	1,271	4,928
Total revenue	\$ 28,807	\$ 24,552	\$ 37,722	\$ 45,944	\$ 137,025
EBITDAS	\$ 8,776	\$ 6,141	\$ 12,527	\$ 14,574	\$ 42,018
Operating earnings	\$ 5,398	\$ 2,372	\$ 7,779	\$ 9,593	\$ 25,142
Bed rental days ⁽¹⁾	148,775	115,854	154,682	168,311	587,622
Catering mandays ⁽²⁾	122,188	85,909	117,959	137,839	463,895

(1) One bed rental day equals the rental of one bed for one day.

(2) One catering manday equals 3 meals for one person for one day.

Fourth Quarter

Revenue from the Camps & Catering segment was \$25,759,000 for the 3 months ended December 31, 2009, a decrease of \$20,186,000 or 44% as compared to the same period in 2008.

Revenues from the BlackSand facilities were \$7,137,000 as compared to \$17,375,000 for the same period in 2008. Bed rental days were 46,612 in Q4 2009 as compared to 89,585 in Q4 2008. Utilization in the fourth quarter was primarily from beds under contract to a major customer, while 2008 included a number of additional, short term clients. In Q4 2008, utilization was significantly higher, with utilization by our major customer increasing steadily throughout the quarter with the facilities nearing full occupancy in December 2008.

On a per bed rental day basis, revenues declined from \$194 per day in Q4 2008 to \$153 per day in Q4 2009. Contract terms with a major customer were renegotiated in the third quarter of 2009 resulting in a reduction of the per manday rates charged for both the lodge and the craft camp facilities taking into account an extension in the timeline

of the overall commitment. This also resulted in a shift in the mix of rooms occupied with more craft camp rooms as opposed to higher-priced executive lodge rooms.

In Q4 2009, a rate reduction was granted to a major customer reflecting significantly reduced occupancy of rooms over the Christmas break. A reduced rate was charged during this period to reflect the decreased number of beds occupied for a total reduction of \$485,000. Adjusting for this amount, the actual rate per day charged was \$163 per day.

Revenues from conventional equipment were \$4,982,500 as compared to \$10,943,000 in the same period in 2008. Activity levels declined significantly following reduced drilling and exploration, construction and infrastructure activities. These declines were felt across all revenue streams, with the largest declines seen in our open camp facilities. Bed rental days decreased by 53%, from 78,726 in Q4 2008 to 37,354 in Q4 2009 and catering mandays fell by 50% from 73,558 in Q4 2008 to 36,637 in Q4 2009. On a per bed rental day basis, revenues declined from an average of \$139 per day in Q4 2008 to \$133 per day in Q4 2009 as competitive pressures had a negative effect on pricing during the quarter. In addition, a larger proportion of revenues in the fourth quarter were derived from lower priced catering only revenues.

Combined camp and space sales revenues were \$8,276,000 for Q4 2009 as compared to \$12,293,000 in Q4 2008. Demand for newly manufactured units was reduced as compared to the prior year as projects were either put on hold or cancelled. Revenues mostly came from smaller units produced throughout the quarter as compared to 2008 where several large contracts were completed and delivered.

Revenues from service work were slightly above prior year levels at \$4,616,000 in Q4 2009 as compared to \$4,062,000 in Q4 2008. Service revenues were higher in the quarter mainly driven by the completion of several larger projects which extended throughout the quarter.

Space rental revenues declined by \$524,000 as demand from all sectors including mining, forestry, construction and oil and gas dropped due to global economic conditions.

EBITDAS from the BlackSand facilities were essentially breakeven in the quarter and included \$1,837,000 of costs related to the correction of moisture accumulation problems at the Lodge. The project was completed in early 2010 for a total project cost of \$2.5 million. Also included in Q4 2009 was the effect of the rate reduction over the Christmas break as described above which affected EBITDAS in the amount of \$235,000, as costs such as labour and utilities did not decline in direct proportion with revenues due to the short term duration of the credit. Adjusting for these two amounts, EBITDAS from BlackSand facilities would have been \$2,370,000 or 31% of revenues as compared to \$9,290,000 or 54% of revenues in Q4 2008. EBITDAS at the BlackSand facilities were impacted by the amended contract terms as discussed above with a significant number of beds at BlackSand in Q4 2008 were billed on a take-or-pay basis for which full revenues were earned that did not have associated catering and housekeeping costs.

EBITDAS on conventional, service and sales revenues declined from \$5,380,000 million or 19% of revenues to \$1,175,000 or 6% of revenues in Q4 2009 driven predominantly by the reduction in sales activity and pressure seen on pricing as a result of competition. One time charges in the amount of \$460,000 were recognized related to inventory and asset verifications undertaken in the quarter. Results for the quarter also included costs related to the start up of the blast resistant structures business which amounted to \$177,000, of which no costs were included in 2008 as the business was acquired in mid 2009.

During the fourth quarter of 2009, employees at the BlackSand site undertook a union certification vote. Based upon the outcome of this vote, the Alberta Labor Relations Board certified the union as the exclusive agent to represent the employees at the site. Management has since entered into negotiations with the union with the intent of signing a collective agreement.

Year ended December 31, 2009

Revenue from the Camps & Catering segment for the year ended December 31, 2009 was \$120,516,000, a decrease of \$16,509,000 or 12% as compared to the year ended December 31, 2008.

Revenues from the BlackSand facilities were \$32,543,000 for the year, a slight decrease from the prior year's total of \$34,718,000. Revenues for 2008 reflect 6 months of operations as the facilities commenced operations in the third quarter of 2008, while 2009 results include 12 months of operations. After opening in Q3 2008, occupancy steadily increased throughout the year and peaked near the end of the 2008. Utilization remained strong through the first quarter of 2009, but decreased in the second quarter with the restructuring of a long term contract with a major customer resulting in a reduction of the overall number of contracted beds and a change in mix with more craft rooms utilized as opposed to higher-priced executive rooms. Bed rental days for 2009 totalled 200,536 as compared to 179,344 in 2008, with the average revenue per bed rental day dropping to \$162 per day in 2009 from \$194 in 2008

reflecting the change in the mix with more craft rooms than higher priced executive style lodge rooms, and the effect of a credit granted to our major customer reflecting reduced occupancy of rooms over the 2009 holiday period.

Revenues from conventional equipment were \$27,456,000 for the year as compared to \$46,162,000 in 2008. Bed rental days decreased by 42%, from 408,278 in 2008 to 234,963 in 2009 as activity levels in all sectors declined significantly as compared to the prior year reflecting the general downturn in the economy. On a per bed rental day basis, revenues for 2009 were \$117 per day as compared to \$113 per day in 2008 reflecting a larger proportion of revenues derived from lower priced catering only revenues.

Combined camp and space sales revenues were \$31,671,000 in 2009 compared to \$35,673,000 in 2008. Demand for newly manufactured units was reduced as compared to the prior year as projects were either put on hold or cancelled.

Revenues from service work were slightly above prior year levels at \$16,944,000 in 2009 as compared to \$14,375,000 in 2008. Service revenues were generated from larger projects carried on during the year. Space rental revenues declined by \$1,025,000 as demand from all sectors including mining, forestry, construction and oil and gas dropped due to global economic conditions.

Revenue, EBITDAS and operating earnings included the effect of an \$8.0 million contract cancellation fee related to the restructuring of a long term contract with a large oil sands customer which flowed directly into EBITDAS and operating earnings during the year.

EBITDAS from the BlackSand facilities was \$10,017,000 or 31% of revenues in 2009 as compared to \$16,397,000 or 47% of revenue in 2008. Results for the year included \$2,376,000 of costs related to the correction of moisture accumulation problems at the lodge. The project was completed in early 2010 for a total cost of \$2.5 million. Also included was the effect of credit granted to a major customer in Q4 2009 reflecting reduced occupancy of rooms over the Christmas break which affected EBITDAS in the amount of \$235,000. Adjusting for these two amounts, EBITDAS from the BlackSand facilities would have been \$12,778,000 or 38% of revenues. EBITDAS at the BlackSand facilities were impacted by the amended contract terms as discussed above with a significant number of beds at BlackSand in Q4 2008 were billed on a take-or-pay basis for which full revenues were earned that did not have associated catering and housekeeping costs.

EBITDAS from conventional operations, service and sales were \$14,325,000 or 18% of revenues as compared to \$25,688,000 or 25% of revenues in 2008 reflecting the reduction of sales volumes as compared to 2008. Also included in 2009 were one time charges of \$460,000 related to inventory and asset verifications undertaken in the fourth quarter, and costs related to the initial setup of the blast resistant structures business totalling \$354,000.

Matting

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

(000's except rental days and mats)	Three months ended				Year ended
	March 2009	June 2009	September 2009	December 2009	December 2009
Mat rental revenue	\$ 905	\$ 1,309	\$ 1,504	\$ 1,817	\$ 5,535
Mat sales revenue	1,523	597	1,220	875	4,215
Installation, transportation, service and other revenue	2,699	2,133	2,394	2,822	10,048
Total revenue	\$ 5,127	\$ 4,039	\$ 5,118	\$ 5,514	\$ 19,798
EBITDAS	\$ 1,037	\$ 1,245	\$ 1,791	\$ 1,781	\$ 5,854
Operating (loss) earnings	\$ (598)	\$ (240)	\$ 372	\$ 409	\$ (57)
Mat rental days	305,638	538,209	649,750	856,236	2,349,833
Average mats in rental fleet	13,437	12,479	13,421	13,826	13,289
Mats sold					
New mats	1,226	48	870	1,150	3,294
Used mats	1,109	981	1,738	305	4,133
Total mats sold	2,335	1,029	2,608	1,455	7,427
(000's except rental days and mats)	Three months ended				Year ended
	March 2008	June 2008	September 2008	December 2008	December 2008
Mat rental revenue	\$ 1,926	\$ 840	\$ 1,303	\$ 1,394	\$ 5,463
Mat sales revenue	2,805	145	7,387	4,447	14,784
Installation, transportation, service and other revenue	5,275	2,802	4,187	3,655	15,919
Total revenue	\$ 10,006	\$ 3,787	\$ 12,877	\$ 9,496	\$ 36,166
EBITDAS	\$ 3,129	\$ 456	\$ 2,926	\$ 1,651	\$ 8,162
Operating earnings (loss)	\$ 1,613	\$ (1,102)	\$ 1,322	\$ 90	\$ 1,923
Mat rental days	620,605	259,329	434,441	442,130	1,756,505
Average mats in rental fleet	17,189	18,222	18,398	14,953	17,029
Mats sold					
New mats	2,201	103	9,119	2,277	13,700
Used mats	1,123	266	330	4,674	6,393
Total mats sold	3,324	369	9,449	6,951	20,093

Fourth Quarter

Revenue from the Matting segment decreased \$3,982,000 in the three months ended December 31, 2009 as compared to the three months ended December 31, 2008.

Mat rental revenues for the three months ended December 31, 2009 were \$423,000 higher than the three months ended December 31, 2008. Mat rental days were significantly higher during the quarter due to increased activity in shale gas development projects in north eastern British Columbia. Mat utilization was considerably higher, with 67% of mats rented during the quarter as compared to 32% during the same period in the prior year. However, offsetting the increase in activity was a decline in rental rates. Rates in the quarter were \$2.12 per mat rental day as compared to \$3.15 per mat rental day in Q4 2008. General economic conditions and competition had a negative effect on pricing as customers demanded significant rate concessions.

Mat sales revenues for the three months ended December 31, 2009 were \$3,572,000 lower than the three months ended December 31, 2008. The total number of mats sold decreased significantly as customers shifted from mat purchases to mat rentals. The shift was a result of the type of projects being undertaken and a focus by customers

on reducing capital expenditures in favour of mat rentals. Revenue per mat sold was \$601 per mat as compared to \$640 per mat in the same period in 2008. The majority of mats sold in Q4 2009 were HD hybrid ("HD hybrid") mats which sell at a discount compared to traditional oak mats, whereas in Q4 2008 the majority of mats sold were used oak mats. The HD hybrid mats utilize a combination of oak and softwood material while still retaining structural rigidity and durability.

Installation, transportation, service and other revenues for the three months ended December 31, 2009 were \$833,000 lower than the three months ended December 31, 2008. The decrease was driven primarily by a drop in trucking related to mat sales which were stronger in Q4 2008. Mat management customers were focused on project specific services and reduced staging and strategic relocation work. Although rental volumes were higher, Q4 2009 saw the continued trend of the need to bundle services, often including transportation and installation services within rental rates to obtain or maintain jobs in an increasingly competitive environment.

EBITDAS and operating earnings increased by \$130,000 and \$319,000 respectively, driven primarily by the relative increase in mat rentals as compared to the same period in the prior year. Mat rental days were significantly higher than the same period in the prior year; however, rental margins were negatively impacted by competitive pressures and the bundling of transportation and installation services resulting in decreased margins for these services as well. Efforts were focused on reducing costs in a number of areas and a shift in manufacturing towards construction of HD hybrid mats. The hybrid mats are less costly to manufacture, and their reduced weight helps lower trucking and installation costs.

Year ended December 31, 2009

Revenue from the Matting segment decreased \$16,368,000 in the year ended December 31, 2009 as compared to the year ended December 31, 2008.

Mat rental revenues for 2009 were consistent with 2008 levels. Customers working on shale gas projects in north eastern British Columbia drove stronger utilization rates and higher rental volumes throughout the year, but at the expense of rental rates which declined steadily throughout the year. Rates were negatively impacted as competitors continually reduced rates in an effort to keep and secure work.

Mat sales volumes for the year decreased significantly, with customers focused on mat rentals due to the types of projects being undertaken and in an effort to reduce capital spending. New mat sales declined most significantly, with used mat sales also declining as a result of the above factors.

Installation, transportation, service and other revenue was \$5,871,000 lower than 2008. This decrease was driven primarily as a result of decreased mat sales. Stronger mat rental volumes helped offset some of the shortfall, but customers focused more on specific projects and less on strategic staging and relocation of managed mats overshadowing the gains on the rental side. We also saw the impact of bundling of transportation and installation services within rental rates in order to remain competitive.

EBITDAS decreased by \$2,308,000 as compared to the prior year driven by the overall reduction in mat sales revenues. As a percentage of revenues, EBITDAS for 2009 was 30% as compared to 23% in 2008. This increase was driven by 28% of 2009 revenues coming from mat rentals as compared to 15% in 2008, which typically generate higher margins despite the impacts of competitive pressures. In addition, efforts were focused on reducing costs in a number of areas.

Marine Services

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

(000's)	Three months ended				Year ended
	March 2009	June 2009	September 2009	December 2009	December 2009
Tug revenue	\$ -	\$ 30	\$ 517	\$ 1	\$ 548
Barge revenue	-	-	191	-	191
Barge camp revenue	1,282	1,676	75	1	3,034
Rental and other revenue	473	286	326	244	1,329
Total revenue	\$ 1,755	\$ 1,992	\$ 1,109	\$ 246	\$ 5,102
EBITDAS	\$ 891	\$ 929	\$ (175)	\$ (182)	\$ 1,463
Operating earnings (loss)	\$ 599	\$ 637	\$ (468)	\$ (479)	\$ 289

(000's)	Three months ended				Year ended
	March 2008	June 2008	September 2008	December 2008	December 2008
Tug revenue	\$ -	\$ 351	\$ 3,281	\$ 83	\$ 3,715
Barge revenue	196	212	178	15	601
Barge camp revenue	2,575	539	185	1,273	4,572
Rental and other revenue	608	269	335	347	1,559
Total revenue	\$ 3,379	\$ 1,371	\$ 3,979	\$ 1,718	\$ 10,447
EBITDAS	\$ 2,150	\$ 96	\$ 428	\$ 267	\$ 2,941
Operating earnings (loss)	\$ 1,890	\$ (170)	\$ 151	\$ (24)	\$ 1,847

Fourth Quarter

Revenues from the Marine Services segment for the three months ended December 31, 2009 decreased \$1,472,000 as compared to the same period in the prior year. Tug and barge revenues were lower in the three months ended December 31, 2009, down \$97,000 from the same period in the prior year as overall activity in the Northwest Territories was minimal. Barge camp revenues in Q4 2008 related to a winter drilling support project which did not occur in 2009. Rental and other revenues were generated from a combination of providing maintenance services and storage of equipment and supplies for customers. This revenue decreased by \$103,000 in the three months ended December 31, 2009 compared to the prior period. \$73,000 of this amount was attributable to reduced maintenance services and \$30,000 to lower rentals.

EBITDAS and operating earnings for the three months ended December 31, 2009 were \$449,000 and \$455,000 lower compared to the same period in the prior year directly related to the reduction in overall activity in the region.

Year ended December 31, 2009

Revenues from the Marine Services segment for the year ended December 31, 2009 decreased \$5,345,000 as compared to the same period in the prior year. Tug and barge revenues were lower throughout the year with very little activity in the Northwest Territories with the majority of our marine equipment not utilized during the year. 2009 activity was comprised of limited cargo and supply transportation. Barge camp revenues included a winter drilling support project in the first quarter and a \$500,000 cancellation fee related to a barge camp rental contract in the second quarter of 2009. Very little work was contracted for the period when the northern waterways are typically open. Rental and other revenues decreased \$230,000 compared to the prior year due to reduced activity, \$150,000 was attributable to reduced maintenance services and \$80,000 due to lower rentals.

For the year ended December 31, 2009 EBITDAS and operating earnings were \$1,478,000 and \$1,558,000 lower as compared to the same period in the prior year as a result of reduced activity levels throughout the year.

Corporate

Corporate costs are the costs of the head office which include the Chief Executive Officer, President, Chief Financial Officer, Vice President of Safety, Corporate Secretary, Corporate Accounting staff, and associated costs of supporting a public company. Overall cash costs were \$1,603,000 (excluding Stock Based Compensation and Depreciation & Amortization) in the three months ended December 31, 2009 as compared to \$2,701,000 in the same period in 2008. 2008 fourth quarter costs included onetime costs of \$475,000 related to the departure of a senior executive. For the year ended December 31, 2009 corporate cash costs decreased to \$6,251,000 or 4.3% of revenues from \$7,799,000 or 4.3% of revenues in the year ended December 31, 2008. This decrease is largely a result of salary rollbacks implemented in the second quarter of 2009, led by senior management at 20%, and an overall focus on managing costs.

Other Items

Foreign exchange loss

Foreign exchange loss increased for the year ended December 31, 2009 to \$63,000 as compared to \$48,000 in the year ended December 31, 2008. The loss in the year ended December 31, 2009 is a result of the decrease in value of the Corporations U.S. dollar denominated accounts.

Interest income

Interest income of \$88,000 was earned on long-term receivables. In the year ended December 31, 2008, interest income of \$39,000 was earned on related party loans provided as well as deposits held as guarantees.

Interest on operating lines of credit and long-term debt

Interest on operating lines of credit and long-term debt decreased to \$1,620,000 in the year ended December 31, 2009 from \$2,304,000 in the year ended December 31, 2008. The decrease in interest expense is attributable to the decrease in the average amount of debt held of \$31,125,000 in the year ended December 31, 2009 as compared to \$42,819,000 in the year ended December 31, 2008.

Earnings on equity investments

The earnings on equity investments of Kitikmeot Caterers Ltd. ("Kitikmeot"), Sakku Caterers Limited ("Sakku"), Mackenzie Valley Logistics Inc. ("Mackenzie Valley"), and Mackenzie Delta Integrated Oilfield Services Ltd. ("MDIOS") were \$729,000 in the year ended December 31, 2009, net of a one-time impairment charge of \$412,000 related to Sakku as compared to earnings of \$589,000 in the year ended December 31, 2008.

- Mackenzie Valley, MDIOS and Beaufort Logistics Inc. contributed earnings of \$171,000 for the year ended December 31, 2009 as compared to loss of \$191,000 in the year ended December 31, 2008.
- Kitikmeot contributed earnings of to \$1,008,000 for the year ended December 31, 2009 as compared to earnings \$510,000 in the year ended December 31, 2008.
- Sakku contributed a loss of \$38,000 for the year ended December 31, 2009 as compared to earnings of \$270,000 in the year ended December 31, 2008. A one-time impairment charge of \$412,000 related to Sakku was recorded reflecting reduced activity and benefits anticipated from this ongoing relationship.

Income taxes

Income tax expense increased to \$2,227,000, an effective tax rate of 29.0%, for the year ended December 31, 2009 from \$1,449,000, an effective tax rate of 1.5%, for the year ended December 31, 2008. Included in the December 31, 2008 tax expense is approximately \$4,373,000 of tax recovery attributable to the goodwill impairment loss. If tax expense is adjusted for this recovery, it results in an adjusted tax expense of \$5,822,000. If the 2008 loss before income taxes is adjusted for the goodwill impairment loss to arrive at adjusted earnings before income taxes of \$18,410,000, the effective tax rate is 31.6% for 2008.

Liquidity and Capital Resources

The Corporation has a strong working capital position and borrowing capacity as set out below:

(000's)	December 2009	December 2008
Current assets	\$ 40,102	\$ 50,465
Operating lines of credit	6,900	8,834
Current liabilities excluding borrowings ⁽¹⁾	12,964	18,177
Current portion of long-term debt	1,939	488
Current liabilities	21,803	27,499
Working capital ⁽²⁾	18,299	22,966
Bank borrowing		
Operating lines of credit	6,900	8,834
Senior secured revolving term facility	29,100	38,400
Total Bank borrowings	36,000	47,234
Available bank lines ⁽³⁾⁽⁴⁾	80,000	80,500
Borrowing capacity ⁽⁵⁾	44,000	33,266

(1) Calculated as the sum of bank indebtedness, accounts payable and accrued liabilities, deferred revenue and income taxes payable.

(2) Calculated as current assets less current liabilities.

(3) For 2009, includes \$80,000,000 available to Horizon.

(4) For 2008, includes \$80,000,000 available to Horizon and \$1,000,000 (Horizon's 50% portion - \$500,000) available to Horizon's joint venture, Arctic Oil & Gas Services Inc.

(5) Calculated as available bank lines less total bank borrowing.

At December 31, 2009, Horizon's working capital position of \$18,299,000 decreased from 2008 levels of \$22,966,000 with total bank borrowings declining to \$36,000,000 at December 31, 2009 from \$47,234,000 at December 31, 2008. Bank borrowings were reduced using funds from operations and proceeds from the sale of used equipment which remained after funding capital additions.

Subsequent to December 31, 2009, Horizon renewed its revolving credit and senior secured revolving term credit facilities. The credit facilities were renewed for an additional 16 months, extending the maturity date on the senior secured revolving term facility and operating line to July 2, 2011. The interest rate on the operating line was increased to the bank prime rate plus 1.25% and the senior secured revolving term facility remained unchanged at the bank prime rate plus 1.50%. Borrowing capacity under the senior secured revolving term facility was reduced from \$60,000,000 to \$40,000,000 at management's request to better align borrowing capacity with anticipated borrowing requirements.

Horizon's borrowing facilities through its 50% owned joint venture, Arctic Oil & Gas Services Inc., were revised during the year. As a result, the facility is now in place only to support letters of credit, with borrowings no longer available.

During the year ended December 31, 2009, the Corporation spent \$33,026,000 (\$56,174,000 – December 31, 2008) on capital asset additions of which \$24,521,000 was purchased using cash and \$8,505,000 using notes payable. Capital spending was concentrated on the acquisition of the camp rental assets from Ensign Energy Services Inc., replacement camp rental fleet, replacement rental mats, configuration and site preparation work at the BlackSand facilities and improvements, and investment in the blast resistant structures rental fleet. Horizon evaluates and manages its capital spending plans taking into account proceeds from disposals, which for the year ended December 31, 2009 totalled \$10,574,000. In the year ended December 31, 2008, the Corporation's spending was concentrated on the completion of the BlackSand Executive Lodge facilities, land for a second executive lodge facility, additional beds and space rental equipment and the addition of mats to its rental fleet.

The Corporation's contractual obligations for the next five years are as follows:

(000's)	Operating lines of credit	Long-term debt	Operating leases
Year 1 or less	\$ 6,900	\$ 1,939	\$ 1,892
Year 2	-	13,166	1,548
Year 3	-	15,554	1,049
Year 4	-	3,425	584
Year 5+	-	3,718	493
Total	\$ 6,900	\$ 37,802	\$ 5,566

The Corporation was granted approval from the Toronto Stock Exchange for a normal course issuer bid to repurchase up to a maximum of 7,426,978 common shares of the Corporation over the period from July 24, 2009 to July 23, 2010. All shares repurchased will be cancelled. As at February 25, 2010, 5,185,000 common shares had been repurchased and cancelled for a weighted average purchase price of \$1.23 excluding transaction costs.

The Corporation does not anticipate having any issues with respect to credit facility covenant violations. The Corporation is in compliance with its four debt covenants on its bank borrowings as set out below:

Debt Covenant	December 31, 2009
Current ratio ⁽¹⁾ – must be greater than 1.2:1	1.84:1
Debt ⁽²⁾ to EBITDAS ⁽³⁾⁽⁴⁾ – must be less than 2:1	1.3:1
Debt service coverage ⁽⁵⁾ – must be greater than 1.5:1	9.2:1
Debt ⁽²⁾ to total capitalization ⁽⁶⁾ – must be less than 0.5:1	0.21:1

(1) Current ratio is calculated as ratio of current assets to current liabilities.

(2) Calculated as the sum of operating lines of credit and long-term debt.

(3) EBITDAS (Earnings before interest, taxes, depreciation, amortization, gain/loss on disposal of property, plant and equipment and stock based compensation) is not a recognized measure under Canadian generally accepted accounting principles (GAAP). 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. Investors should be cautioned, however, that EBITDAS should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of the Corporation's performance. Horizon's method of calculating EBITDAS may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities.

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

(5) Debt service coverage is calculated as the ratio of trailing 12 months EBITDAS less cash taxes to debt service. EBITDAS less cash taxes is calculated as the trailing 12 months EBITDAS less trailing 12 months current tax expense. Debt service is calculated as the sum of trailing 12 months interest expense on operating lines of credit, trailing 12 months interest expense on long-term debt and current portion of long-term debt.

(6) Debt to total capitalization is calculated as the ratio of debt to total capitalization. Total capitalization is calculated as the sum of debt and shareholder's equity.

Quarterly Summary of Results

(000's except per share amounts)	Three months ended				Year ended
	March 2009	June 2009	September 2009	December 2009	December 2009
Revenue	\$ 38,638	\$ 42,126	\$ 32,048	\$ 31,080	\$ 143,892
EBITDAS	12,090	15,309	5,035	1,083	33,517
Operating earnings (loss)	5,110	9,157	(571)	(5,210)	8,486
Net earnings (loss)	3,702	5,883	(105)	(4,024)	5,456
Net earnings (loss) per share	\$0.03	\$0.05	-	(\$0.04)	\$0.05
Net earnings (loss) per share - diluted	\$0.03	\$0.05	-	(\$0.04)	\$0.05

(000's except per share amounts)	Three months ended				Year ended
	March 2008	June 2008	September 2008	December 2008	December 2008
Revenue	\$ 41,409	\$ 28,943	\$ 53,692	\$ 56,735	\$ 180,779
EBITDAS	12,170	4,809	14,273	13,891	45,143
Operating earnings (loss)	6,758	(1,051)	7,453	6,926	20,086
Net earnings	4,535	(1,150)	5,004	(106,338)	(97,949)
Net earnings per share	\$0.04	(\$0.01)	\$0.05	(\$0.96)	(\$0.89)
Net earnings per share - diluted	\$0.04	(\$0.01)	\$0.05	(\$0.96)	(\$0.89)

The conventional Camp & Catering operations derive a substantial portion of their revenue from servicing customers in Canada's conventional oil and gas industry. The ability to move equipment in the Canadian oil and gas fields is dependent on weather conditions. As warm weather returns in the spring, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. The duration of this "spring breakup" has a direct impact on the activity levels of the Camp & Catering segment. In addition, many exploration and production areas in Northern Canada are accessible only in winter months when the ground is frozen hard enough to support equipment. The timing of freeze up and breakup affects the ability to move equipment in and out of these areas. As a result, late March through May was traditionally the segment's slowest time.

The year ended December 31, 2008 saw the inclusion of the operations of Northern for the full year. Northern's customer base is concentrated in industries such as mining, forestry and infrastructure that operate on a year round basis. As such, the addition of Northern helps mitigate seasonality factors that affect the conventional Camp & Catering operations. The BlackSand Executive Lodge was completed and operations began in the third quarter of 2008, with the majority of its capacity under contract to a large oil sands producer through the end of the year.

In the second quarter of 2009, Horizon completed contract negotiations with respect to the BlackSand Executive Lodge/facilities. Horizon worked with its major customer to accommodate their reduced camp accommodation needs in light of deteriorating economic conditions and their reduced capital spending program. In exchange for certain contractual changes, a contract cancellation fee of \$8.0 million was agreed to and included in the results of Q2 2009. Over the last half of 2009 Horizon undertook an intense remediation project at BlackSand to correct moisture accumulation issues. The project was successfully completed in early 2010.

In the third quarter of 2009, Horizon invested in the development of a new product line by acquiring Paramount Structures Inc. Paramount has developed a unique blast resistant structure for use at refineries and petrochemical plants to protect employees whose jobs take them close to potential blast sources. Paramount's products were in the final stages of design development with production beginning in the fourth quarter of 2009.

Utilization of Horizon's manufacturing facilities declined in 2009, with the effect most clearly showing in the fourth quarter of 2009 through reduced camp sales activity.

The Matting segment's services are utilized to allow operations to gain access to areas with soft ground conditions. As a result, the busiest time for its rental operations is typically between spring breakup and winter freeze up. Mat rental activity increased significantly in 2009 with increased utilization levels driven primarily by shale gas exploration projects in northeastern British Columbia which ramped up throughout the year. 2009 results saw a significant decline in the number of mats sold as customers reduced capital spending in conjunction with the economic downturn experienced throughout 2009. This was especially evident in the third and fourth quarters of 2009 as economic conditions intensified, and had a negative effect on installation, transportation and service revenues.

The Corporation operates marine transportation equipment in Canada's northern regions. Due to winter climate conditions, northern waterways are only usable by tug and barge traffic from approximately mid-June to mid-October each year. As a result, the Corporation's marine transportation services revenue are typically concentrated in this period of each year. In 2009, this activity was reduced significantly due to the general reduction in activity levels in the Northwest Territories. Some of the Corporation's barges and barge camps were used to facilitate winter projects in the 2008 winter drilling season which contributed revenues in the first quarter of 2009. This activity did not occur in the 2009 winter drilling season and therefore was not evident in the fourth quarter of 2009.

Risks and Uncertainties

Volatility of Oil, Natural Gas and Mining Industry Conditions

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

The level of activity in the oil and gas and mineral exploration and production industries is volatile. No assurance can be given that expected trends in oil and gas and mineral production activities will continue or that demand for transportation services will reflect the level of activity in the industry. Any prolonged substantial reduction in oil and natural gas and mineral prices would likely affect oil and gas and mineral production levels and therefore affect the demand for services to oil and gas and mining customers. A material decline in oil or gas or mineral prices or industry activity in any of the areas in which Horizon operates could have a material adverse effect on Horizon's business, financial condition and results of operations.

Status of Northern Development Projects

Horizon has positioned its businesses to participate in northern development projects that currently have not received final regulatory approval, including the Mackenzie Valley gas pipeline project and offshore drilling projects. As of December 31, 2009 the Mackenzie Valley gas pipeline project has moved through the affected community public

hearing stage of the approval process, and Canada's National Energy Board (NEB) has scheduled hearings for final argument from the various applicants and intervenors, both for and against the project, beginning in April 2010. Final approval decisions are not expected to be received until later in 2010. No assurance can be given that this and other large development projects will ultimately receive approval to proceed.

Seasonal Operations

Each of Horizon's businesses have slightly different seasonal aspects. Camps & Catering is exposed to the seasonality of the western Canadian oil and gas drilling industry where the busiest months are January through March and the slowest months are April through June. The Matting segment is busiest in the spring and summer months of April through September when soft ground conditions hinder the movement of heavy equipment. The marine services segment operates in Canada's northern regions where waterways are usable by tug and barge traffic from approximately mid-June to mid-October each year. As a result, Horizon's marine transportation revenue is concentrated in this period of each year.

Competition

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

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

Credit Risk

A substantial portion of Horizon's accounts receivable are with customers involved in the oil and 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 gas and mining industries.

Additional Funding Requirements

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

Issuance of Debt

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

Labour Relations

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

Aboriginal Relationships

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

Agreements and Contracts

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

Significant Customer

In the year ended December 31, 2009, 27% of the Corporation's revenue was attributable to one customer. Under Horizon's multi-year contract with this customer, these significant contributions to consolidated revenues are expected to continue, although at a reduced percentage of total revenues. The loss of this contracted source of revenue could have a substantial negative impact on the Corporation's future results from operations.

Reliance on Key Personnel

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

Camp Permits

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

Government Regulation

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

Environmental Regulation

The Government of Canada and provincial governments in areas where Horizon does business have been working through various forms of regulation and legislation focused on climate change and greenhouse gas emissions. Future federal legislation, together with provincial emission reduction requirements may require the reduction of emissions or emissions intensity from Horizon's operations and facilities and those of its customers. These requirements may result in increased operating costs and capital expenditures for oil and gas and mining industry participants, thereby decreasing the demand for Horizon's services.

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

Other Risks

Due to the nature of Horizon's business, it is subject to a number of regulations, environmental laws and risks associated with lawsuits arising from accidents and claims. Horizon manages these risks through a combination of

quality management, training and by securing insurance coverage to protect the assets of Horizon in the event of litigation.

Critical Accounting Estimates

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 Canadian generally accepted accounting principles ("Canadian GAAP"). The presentation of these financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities 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:

Impairment of Long-Lived Assets

Long-lived assets, which include property, plant and equipment, intangible assets and goodwill, comprise the majority of the Corporation's assets. Management assesses the carrying value of long-lived assets on a periodic basis for indications of impairment. Indications of impairment include an ongoing lack of profitability and significant changes in our competitors' positions in the market. When an indication of impairment is present, a test for impairment is carried out by comparing the carrying value of the asset to its net fair value. If the carrying amount is greater than the net fair value, the asset would be considered impaired and an impairment loss would be recognized to reduce the asset's carrying value to its estimated fair value.

Impairment of Goodwill

The Corporation records goodwill relating to acquisitions when the total purchase price exceeds the fair value for accounting purposes of the net identifiable assets and liabilities of the acquired company. The goodwill balance is assessed for impairment annually at year-end or as events occur that could result in an indication of impairment. Impairment is recognized based on the fair value of the reporting segment compared to the book value of the segment. If the fair value of the segment is less than the book value, impairment is measured by allocating the fair value to the net identifiable assets as if the entity had been acquired in a business combination for a purchase price equal to its fair value. Any excess of fair value over the amounts assigned to the net identifiable assets is the fair value of the goodwill. Any excess of the book value of goodwill over this implied fair value of goodwill is the impairment amount. Impairment is charged to earnings in the period in which it occurs.

Goodwill is stated at cost less impairment and is not amortized. During the fourth quarter of 2009, Horizon completed its annual goodwill assessment and concluded that the carrying value of goodwill of the Corporation is not impaired.

Depreciation & Amortization

Horizon's property, plant and equipment and its intangible assets are depreciated and amortized based upon estimates of useful lives and salvage values. These estimates may change as more experience is gained, market conditions shift or new technological advancements are made.

Income Taxes

The Corporation uses the asset and liability method which takes into account the differences between financial statement treatment and tax treatment of certain transactions, assets and liabilities. Future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Valuation allowances are established to reduce future tax assets when it is more likely than not that some portion or all of the asset will not be realized. Estimates of future taxable income and the continuation of ongoing prudent tax planning arrangements have been considered in assessing the utilization of tax losses. Changes in circumstances and assumptions and clarifications of uncertain tax regulations may require changes to the valuation allowance associated with the Corporation's future tax assets.

The Corporation's business and operations are complex and the Corporation executed a number of significant financings, business combinations and acquisitions in its history. The computation of income taxes payable as a result of these and other transactions involves many complex factors as well as the Corporation's interpretation of

relevant tax legislation and regulations. The Corporation's management believes that the provision for income tax is adequate.

Changes in Accounting Policies

Effective January 1, 2009, the Corporation has adopted the new Canadian accounting standards for goodwill and intangible assets which establish standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. The adoption of this standard did not have a material impact on the operations or financial position of the company.

The Corporation has adopted the amended disclosure requirements for financial instruments to improve disclosure requirements about the fair value measurement for financial instruments and liquidity risk disclosures. These amendments require the Corporation to adopt a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements. Fair values of assets and liabilities included in level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

Horizon acquired \$10,850,000 of notes payable during 2009 as part of the purchase price for 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. In accordance with section 3862 of the CICA handbook "Financial Instruments – Disclosures" the notes have been initially measured at their fair value using inputs not based on observable market data (Level 3). The fair value of these notes was initially measured at \$8,771,000 using a discount rate of 9% which is consistent with market rates for debt with similar characteristics. At December 31, 2009 these notes were recorded at an amortized cost amount of \$8,505,000.

Transition to International Financial Reporting Standards

In January 2006, the Canadian Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. In February 2008, as part of its strategic plan, the AcSB confirmed that Canadian publicly accountable entities will be required to report under International Financial Reporting Standards ("IFRS"), which will replace Canadian GAAP for years beginning on or after January 1, 2011. An omnibus exposure draft was issued by the AcSB in the second quarter of 2008, which incorporates IFRS into the CICA Handbook and prescribes the transitional provisions for adopting IFRS. In March 2009, the AcSB issued a second omnibus exposure draft which confirms the IFRS transition date as January 1, 2011 for all Canadian publicly accountable enterprises. These standards will require the Corporation to begin reporting under IFRS in the first quarter of fiscal 2011 with comparative data for the prior year.

The Corporation commenced its IFRS transition project in the fourth quarter of 2008 and is comprised of three key phases: Initial assessment, Design and development and Implementation. We have completed the Initial assessment phase, which included retention of an independent accounting firm to perform a high level analysis of the differences between Canadian GAAP and IFRS and the potential effects of the IFRS conversion on our accounting policies, financial reporting, external disclosures, information systems and business processes. This assessment provided insight as to significant areas of difference, their extent of impact and difficulty of implementation.

Now in the Design and development phase, we have added a dedicated IFRS transition resource to manage the conversion project. Items identified in the initial assessment are being addressed according to their "extent of impact" ranking. High and medium rankings were applied to the following areas:

- Property, plant and equipment
- Impairment of assets
- Income taxes
- Share based payments
- Borrowing costs
- Presentation of financial statements.

This phase involves analysis of policy choices available and the IFRS 1 "First-Time Adoption" optional exemptions and mandatory exceptions and their impact on the Corporation's financial statements. Draft resolution documents

shall be presented to management and the Corporation's external auditors for review and comments by the second quarter of 2010. As we have not yet finalized our accounting policy choices and IFRS 1 exemptions, we are unable to quantify the impact of the conversion to IFRS on our financial statements. Development of draft financial statement formats and quantification of changes are also included in this second phase and will continue through the second and third quarters of 2010.

The IFRS impact on internal control over financial reporting disclosure controls and procedures, business activities, financial reporting expertise and IT systems are also to be addressed:

- Management will ensure controls are sufficiently robust to address the resulting changes and that accurate information about the conversion process is communicated to our stakeholders.
- Management has been cognizant of the upcoming transition to IFRS and as such there are no foreseen issues with our counterparties or lenders.
- Training has been provided to key employees impacted by the conversion process and will continue throughout the transition. Technical training and information sessions will be presented to the board and/or audit committee as required. Horizon will continue to monitor standards development as issued by the International accounting Standards Board and the AcSB, as well as regulatory developments as issued by the Canadian Securities Administrators which may affect the timing, nature or disclosure of the adoption of IFRS.
- The final Implementation phase includes the integration of the identified solutions into processes and financial systems required for the conversion to IFRS and the comparative reporting required for the year of transition. The required system and process changes will be integrated as confirmed and validated. Resource assessment and discussions with the IT department are underway. Preliminary assessments have confirmed comparative data anticipated is adequately captured with our current systems.

As the transition project progresses and outcomes are identified, Horizon may change its intentions between the time of communication of these key milestones and the changeover date. Further, changes in regulation or economic conditions at the date of the changeover or throughout the project may result in changes to the transition plan communicated above.

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 accounts receivable, trade accounts payable and accrued liabilities, income taxes receivable and payable and long-term debt. 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, the Corporation's objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital.

(b) Credit risk:

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

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

The following shows the aged balances of accounts receivable:

(000's)	December 2009	December 2008
Neither impaired nor past due	\$ 6,931	\$ 16,513
Impaired	647	548
Outstanding 31-60 days	2,727	7,481
Outstanding 61-90 days	2,002	5,122
Outstanding more than 90 days	2,410	6,111
Total	\$ 14,717	\$ 35,775
Allowance for doubtful accounts	(647)	(548)
Accrued revenue	2,222	2,315
Other receivables	8,623	331
Total accounts receivable	\$ 24,915	\$ 37,873

In the year ended December 31, 2009, the Corporation provided an allowance for \$291,000 of receivables aged greater than 90 days and also collected \$22,000 on amounts which had previously been allowed for. The Corporation also applied \$170,000 of allowance for doubtful accounts against the associated receivable balance. As at February 25, 2010 the Corporation has collected \$923,000 and \$8,000,000 on amounts outstanding more than 90 days and other receivables respectively.

(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. In addition, the Corporation's credit facilities in place at December 31, 2009 are the following:

- \$20,000,000 revolving credit facility secured by a floating charge on land, a first floating charge on all present and after-acquired real property, and a first ranking security interest in all personal property of the Corporation and its wholly owned subsidiaries. Interest is payable at the bank prime rate plus 1.00% (December 31, 2009 – 3.25%).
- \$60,000,000 senior secured revolving term facility secured by a floating charge on land, a first floating charge on all present and after-acquired real property, and a first ranking security interest in all personal property of the Corporation and its wholly owned subsidiaries. Interest is payable at the bank prime rate plus 1.50% (December 31, 2009 – 3.75%).

The following shows the timing of cash outflows relating to trade and other payables and funded debt.

(000's)	December 2009		December 2008	
	Trade and other payables ⁽¹⁾	Funded debt ⁽²⁾	Trade and other payables ⁽¹⁾	Funded debt ⁽²⁾
Year 1	\$ 12,964	\$ 8,839	\$ 18,177	\$ 9,322
Year 2	-	13,166	-	16,224
Year 3	-	15,554	-	19,200
Year 4	-	3,425	-	3,200
Year 5	-	3,718	-	-
	\$ 12,964	\$ 44,702	\$ 18,177	\$ 47,946

(1) Trade and other payables include bank indebtedness, accounts payable and accrued liabilities, deferred revenues.

(2) Funded debt includes operating lines of credit and long-term debt. Horizon's senior secured revolving term facility reached its term on February 1, 2009. The facility was renewed and extended to its next renewal date of February 1, 2010 and has been assumed to be termed out on the next renewal date. 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.

Foreign currency exchange risk

The Corporation has limited exposure to foreign currency exchange risk as sales and purchases are typically denominated in Canadian Dollars (CAD). The Corporation's exposure to foreign currency exchange risk arises from the purchase of some raw materials which are denominated in U.S. Dollars (USD). Raw material purchases affect inventory, capital assets, cost of goods sold and depreciation expense balances, therefore, sensitivity analysis is limited to cash used in operating activities. The effect of a \$0.01 increase in the USD/CAD exchange rate would decrease cash used in operating activities for the year ended December 31, 2009 by approximately \$10,000 (\$65,000 – December 31, 2008). This assumes that the quantity of USD raw material purchases in the year ended December 31, 2009 remains unchanged and that the change in the USD/CAD exchange rate is effective from the beginning of the year.

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 and senior secured revolving term facility which bear interest at rates of prime plus 1.00% and prime plus 1.50%, respectively. If prime were to have increased by 1%, it is estimated that the Corporation's net earnings would have decreased by approximately \$310,000 for the year ended December 31, 2009 (\$430,000 – December, 31, 2008). This assumes that the amount and mix of fixed and floating rate debt in the year ended December 31, 2009 remains unchanged and that the change in interest rates is effective from the beginning of the year.

Outstanding Shares

Horizon has 105,214,863 voting common shares issued and outstanding with a book value of \$169,154,000 as at February 25, 2010.

Off Balance Sheet Financing

Horizon has no off balance sheet financing.

Contractual Obligations and Contingencies

There have been no changes to Horizon's contractual obligations and contingencies for the year ended December 31, 2009.

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, 2009, an evaluation was carried out, under the supervision of the CEO and the CFO, of the effectiveness of the design and operation of Horizon's DC&P as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings.

Based on that evaluation, the CEO and CFO concluded that Horizon's DC&P are not effective, due to the weaknesses discussed in internal control over financial reporting below, to ensure that information required to be disclosed in the reports that Horizon files or submits under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified therein.

Internal Control Over Financial Reporting

Internal control 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 Canadian GAAP. Management is responsible for establishing and maintaining adequate ICFR.

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

Because of its 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.

Management, under the supervision of the CEO and the CFO, evaluated the effectiveness of Horizon'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).

Based on this evaluation, management has concluded that the design and operating effectiveness of Horizon's ICFR was not effective as of December 31, 2009. Horizon, due to its corporate structure, decentralized operations and strategy of growth through acquisition does have weaknesses in its ICFR. The nature of Horizon's structure and operations raises a risk of misstatements with respect to the handling of complex and non-routine accounting and tax related transactions. This weakness is mitigated by management and board reviews and by utilizing outside consultants with the appropriate expertise when the need arises and by developing in-house expertise or recruiting the necessary personnel with the expertise to mitigate these risks. However, there is no guarantee that a material misstatement would be prevented.

In spite of these weaknesses, the CEO and the CFO have concluded, as of the date hereof, that Horizon's internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

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.

Changes in Internal Control over Financial Reporting

During the year ended December 31, 2009, Horizon made the following changes that improved its internal controls over financial reporting:

- A designated Controller was hired for the Sherwood Park, Alberta based Camp & Catering Operations
- Additional phases of an integrated enterprise resource planning (ERP) system were designed and implemented in the Camp Manufacturing businesses located in both Grande Prairie, Alberta and Kamloops, British Columbia and for the Camp and Catering operations located in Sherwood Park, Alberta and Grande Prairie, Alberta.

Transactions with related parties

Description of related party		December 2009	December 2008
Corporation of which a director of Horizon is an officer	Purchases	\$ 5,000	\$ 45,000
	Sales	472,000	176,000
	Included in trade accounts receivable	8,000	94,000
Corporation of which a director of Horizon is a director and a director and officer of Horizon is a director	Purchases	117,000	381,000
	Sales	43,000	81,000
	Included in trade accounts receivable	18,000	33,000
	Included in trade accounts payable	14,000	7,000
Corporation which is a significantly influenced investee	Included in trade accounts receivable	66,000	161,000
	Included in trade accounts payable	-	14,000
Corporation which is a significantly influenced investee	Purchases	-	137,000
	Sales	4,017,000	6,270,000
	Recovery of administrative overhead charged	136,000	152,000
	Included in trade accounts receivable	83,000	992,000
	Included in trade accounts payable	-	25,000
Corporation which is a significantly influenced investee	Purchases	157,000	47,000
	Sales	288,000	3,000
	Distribution of profit (loss)	1,008,000	-
	Included in trade accounts receivable	17,000	461,000
	Included in trade accounts payable	18,000	24,000
Corporation which is a significantly influenced investee	Sales	2,000	28,000
	Distribution of profit (loss)	(38,000)	-
	Interest earned	8,000	7,000
	Included in trade accounts receivable	-	227,000
Corporation which is a significantly influenced investee	Purchases	-	57,000
	Sales	-	281,000
Corporation which is a jointly controlled investee	Purchases	75,000	260,000
	Sales	115,000	7,000
	Rent charged	99,000	93,000
	Recovery of administrative overhead charged	84,000	132,000
	Included in trade accounts receivable	11,000	83,000
Corporation which is jointly controlled by one of the directors of Horizon	Rent paid	58,000	58,000

All related party transactions in the normal course of operations have been measured at the agreed to exchange amounts, which is the amount of consideration established and agreed to by the related parties and which is similar to those negotiated with third parties.

MANAGEMENT'S REPORT TO THE SHAREHOLDERS

The accompanying consolidated financial statements of Horizon North Logistics Inc. ("**Horizon**") have been approved by the Board of Directors (the "**Board**") of Horizon and have been prepared by management in accordance with Canadian generally accepted accounting principles ("**GAAP**"). 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 ("**CEO**") and Chief Financial Officer ("**CFO**") have evaluated the effectiveness of disclosure controls and procedures and internal controls over financial reporting and have concluded that they are not effective due to weaknesses in internal control over financial reporting. These weaknesses arise due to the complexity of accounting and control weaknesses related to segregation of duties. In spite of these weaknesses, the CEO and CFO have concluded, as of the date hereof, that Horizon's internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

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

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



Ric Peterson
Executive Chairman of the Board



Bob German
President and
Chief Executive Officer



Scott Matson
Vice President Finance and
Chief Financial Officer

February 25, 2010

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Horizon North Logistics Inc. as at December 31, 2009 and 2008 and the consolidated statements of operations and (deficit) retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Calgary, Canada

February 25, 2010

HORIZON NORTH LOGISTICS INC.

Consolidated Balance Sheets

December 31, 2009 and 2008

(000's)	December 2009	December 2008
Assets		
Current assets:		
Cash & cash equivalents	\$ 602	\$ -
Accounts receivable (Note 6)	24,915	37,873
Inventory (Note 7)	11,771	9,960
Prepaid expenses	1,824	1,682
Income taxes receivable (Note 15)	990	950
	40,102	50,465
Other Assets (Note 8)	3,061	-
Property, plant and equipment, net (Note 9)	156,425	147,924
Goodwill (Note 10)	472	-
Intangible assets, net (Note 11)	35,320	43,032
Long-term investments (Note 12)	4,127	5,760
	\$ 239,507	\$ 247,181

Liabilities and Shareholders' Equity

Current liabilities:		
Bank indebtedness	\$ -	\$ 1,776
Operating lines of credit (Note 13)	6,900	8,834
Accounts payable and accrued liabilities	10,896	14,234
Deferred revenue	2,068	2,167
Current portion of long-term debt (Note 14)	1,939	488
	21,803	27,499
Long-term debt (Note 14)	35,863	38,624
Future income tax liability (Note 15)	12,687	11,456
	70,353	77,579
Shareholders' equity:		
Share capital (Note 16)	245,353	257,505
Contributed surplus (Note 16)	11,812	5,564
Deficit	(88,011)	(93,467)
	169,154	169,602
Segmented information (Note 19)		
	\$ 239,507	\$ 247,181

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



Roderick W. Graham
Director



Ric E. Peterson
Director

HORIZON NORTH LOGISTICS INC.

Consolidated Statements of Operations and (Deficit) Retained Earnings

Years ended December 31, 2009 and 2008

(000's)	December 2009	December 2008
Revenue	\$ 143,892	\$ 180,779
Expenses:		
Cost of goods sold	25,634	35,552
Operating	75,395	89,330
General and administrative	9,283	10,706
Stock based compensation	521	1,762
Depreciation of property, plant and equipment	17,048	14,315
Amortization of intangible assets	8,869	8,967
(Gain) loss on disposal of property, plant and equipment	(1,407)	13
Foreign exchange loss	63	48
	135,406	160,693
Operating earnings	8,486	20,086
Goodwill impairment loss	-	114,910
Interest income	(88)	(39)
Interest expense on operating lines of credit	270	647
Interest expense on long-term debt	1,350	1,657
Earnings on equity investments	(729)	(589)
Earnings (loss) before income taxes	7,683	(96,500)
Income taxes (Note 15):		
Current income tax expense	924	3,654
Future income tax expense (recovery)	1,303	(2,205)
	2,227	1,449
Net earnings (loss) and comprehensive (loss) income	5,456	(97,949)
(Deficit) Retained earnings, beginning of period	(93,467)	4,482
Deficit, end of period	\$ (88,011)	\$ (93,467)
Earnings (loss) per share:		
Basic	\$ 0.05	\$ (0.89)
Diluted	\$ 0.05	\$ (0.89)

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

HORIZON NORTH LOGISTICS INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2009 and 2008

(000's)	December 2009	December 2008
Cash provided by (used in):		
Operating activities:		
Net earnings (loss)	\$ 5,456	\$ (97,949)
Items not involving cash:		
Depreciation of property, plant and equipment	17,048	14,315
Amortization of intangible assets	8,869	8,967
Future income tax expense (recovery)	1,303	(2,205)
Stock based compensation	521	1,762
Goodwill impairment loss	-	114,910
Earnings on equity investments	(729)	(589)
Gain on sale of property, plant and equipment	(3,087)	(2,855)
	29,381	36,356
Changes in non-cash working capital items (Note 22)	6,254	(16,751)
	35,635	19,605
Investing activities:		
Purchase of other assets	(3,061)	-
Purchase of property, plant and equipment	(24,521)	(56,174)
Purchase of intangibles	(864)	-
Proceeds on sale of property, plant and equipment	10,574	8,572
Return of capital from equity investments	2,362	334
Business acquisitions (Note 5)	(818)	(581)
	(16,328)	(47,849)
Changes in non-cash working capital items (Note 22)	1,900	914
	(14,428)	(46,935)
Financing activities:		
(Repayment of) proceeds from bank indebtedness	(1,776)	1,776
Share purchase costs	(57)	(15)
Repurchase of Shares (Note 16)	(6,368)	-
Repayment of operating lines of credit	(1,934)	(12,156)
Proceeds from long-term debt	23,101	43,800
Repayment of long-term debt	(32,916)	(6,578)
Repayment of capital leases	-	(507)
	(19,950)	26,320
Changes in non-cash working capital items (Note 22)	(655)	(210)
	(20,605)	26,110
Increase (decrease) in cash position	602	(1,220)
Cash, beginning of period	-	1,220
Cash, end of period	\$ 602	\$ -
Supplementary information:		
Income taxes paid	\$ 958	\$ 7,009
Interest received	88	39
Interest paid	1,784	2,197

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

HORIZON NORTH LOGISTICS INC.

Notes to the Consolidated Financial Statements

Years ended December 31, 2009 and 2008

1. Basis of Presentation

(a) General:

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). Amounts presented in the Corporation's consolidated financial statements and the notes thereto are in Canadian dollars unless otherwise stated.

(b) Nature of business:

Horizon North Logistics Inc. ("Horizon" or the "Corporation") provides camp and catering, ground matting, and marine transportation services to oil and gas exploration and production companies, oilfield service companies and mining companies working on oil sands, mineral exploration and development, and conventional oil and gas projects throughout Canada's northern regions.

2. Changes in Accounting Policies

Effective January 1, 2009, the Corporation has adopted the new Canadian accounting standards for goodwill and intangible assets which establish standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. The adoption of this standard did not have a material impact on the operations or financial position of the company.

The Corporation has adopted the amended disclosure requirements for financial instruments to improve disclosure requirements about the fair value measurement for financial instruments and liquidity risk disclosures. These amendments require the Corporation to adopt a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements. Fair values of assets and liabilities included in level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. As a result of this adoption the Corporation has measured the fair value of its notes payable, see Note 14 – "Long Term Debt" for more information.

3. Future Accounting Policies

The Corporation will also adopt the new Canadian accounting standards for business combinations which will harmonize the Canadian accounting standards with international financial reporting standards. These standards are effective for the Corporation beginning January 1, 2011 and will be applied to business combinations on a prospective basis at that time.

4. Significant Accounting Policies

(a) Principles of consolidation:

These consolidated financial statements include the accounts of Horizon North Logistics Inc. and its wholly owned subsidiaries and the accounts of the incorporated joint venture Arctic Oil & Gas Services Inc. to the extent of the Corporation's 50% proportionate interest in its respective assets, liabilities, revenues, and expenses. All inter-company transactions and balances have been eliminated upon consolidation.

(b) Use of estimates:

The presentation of these financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

HORIZON NORTH LOGISTICS INC.

Notes to the Consolidated Financial Statements, Page 2

Years ended December 31, 2009 and 2008

4. Significant Accounting Policies (continued)

(c) Financial Instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized on the consolidated balance sheet at the time the Corporation becomes a party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value and, for the purpose of subsequent measurement; financial instruments are allocated into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale or other financial liabilities.

The Corporation's financial assets and liabilities consist primarily of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and long-term debt. The Corporation has designated its financial instruments as follows:

Financial Instrument	Category	Measurement Method
Cash and cash equivalents	Held-for-trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Income taxes receivable/payable	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Operating lines of credit	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost

Held-for-trading instruments are financial assets and liabilities typically acquired with the intention of generating revenues in the short-term. However, an entity is allowed to designate any financial instruments as held-for-trading on initial recognition even if it would otherwise not satisfy the definition. As at December 31, 2009, the Corporation does not hold any financial instruments that do not satisfy the definition. Financial assets and financial liabilities required to be classified or designated as held-for-trading are measured at fair value, with gains and losses recorded in net earnings for the period in which the change occurs. The Corporation uses trade-date accounting for its held-for-trading financial assets.

Held-to-maturity investments are non-derivative financial assets, with fixed or determinable payments and fixed maturity, which an entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest method. As at December 31, 2009, the Corporation does not have any financial assets classified as held-to-maturity.

Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method.

The fair value of cash and cash equivalents, accounts receivable, income taxes receivable/payable, accounts payable and accrued liabilities and operating lines of credit approximate their carrying amounts due to the short-term nature of the instruments.

Available-for-sale financial assets are non-derivative assets that are designated as available-for-sale or that are not classified as loans and receivables, held-to-maturity investments or held-for-trading. Available-for-sale financial assets are carried at fair value with unrealized gains and losses included in other comprehensive income until such gains or losses are realized or an other than temporary impairment is determined to have occurred. Available-for-sale assets are measured at fair value, except for assets that do not have a readily determinable fair value which are recorded at cost. As at December 31, 2009, the Corporation does not have any financial assets classified as available-for-sale.

Other financial liabilities are measured at amortized cost using the effective interest method and include all liabilities or liabilities that have been identified as held-for-trading.

The Corporation will assess at each reporting period whether there is any objective evidence that a financial asset, other than those classified as held-for-trading, is impaired.

The Corporation defers any transaction costs incurred in relation to the acquisition of financial assets and liabilities.

(d) Cash and cash equivalents:

Cash and cash equivalents consist of cash and short-term investments with maturities of less than 90 days.

HORIZON NORTH LOGISTICS INC.

Notes to the Consolidated Financial Statements, Page 3

Years ended December 31, 2009 and 2008

4. Significant Accounting Policies (continued)

(e) Inventory:

Inventory consists of raw materials used to manufacture mats and camp facilities, work-in-progress including partially completed camp facilities, finished goods including mats and camps held for sale, camp catering supplies, food and fuel, all of which are carried at the lower of cost and net realizable value.

(f) Property, plant and equipment:

Property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation is provided taking into consideration the estimated useful lives of the assets, using the following methods and annual rates:

Assets	Method	Rate
Camp facilities	Straight-line	20 to 25 years
Tugs, barges & other 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
Fuel supply & camp & catering equipment	Straight-line	2 to 10 years
Furniture & fixtures & other equipment	Straight-line	5 years
Leasehold improvements	Straight-line	Term of lease
Computer hardware & software	Straight-line	3 to 5 years

(g) Long-lived assets:

Management assesses the carrying value of long-lived assets, which include property, plant and equipment and intangible assets, on a periodic basis for indications of impairment. Indications of impairment include an ongoing lack of profitability and significant changes in technology. When an indication of impairment is present, a test for impairment is carried out by comparing the carrying value of the asset to its net fair value. If the carrying amount is greater than the net fair value, the asset would be considered impaired and an impairment loss would be recognized to reduce the asset's carrying value to its estimated fair value.

(h) Goodwill:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is not amortized and is tested for impairment at least annually, by a two-step test. Under the first step, the book value of each reporting unit is compared to its fair value using a cash flow model. If the book value of the reporting unit is greater than the fair value a second step is required which calculates goodwill as a residual, after allocating the fair value of the business units to the assets and liabilities, based on their fair values.

(i) Intangible assets:

Intangible assets, which are comprised primarily of customer relationships and non-compete agreements, are recorded at cost and amortized using the straight-line method over their useful lives ranging from 3 to 7 years. The weighted average amortization period is 6 years, and amortization over the next five years is anticipated to average \$7,036,000 per year.

(j) Investments:

Long-term investments in which the Corporation exerts significant influence over the investee are accounted for by the equity method. Under this method, the investment is initially recorded at cost and the carrying value is adjusted thereafter to include the Corporation's pro rata share of post acquisition earnings (loss) of the investee. When there has been a decline in the value of an investment that is other than temporary, the investment is written down to estimated net realizable value.

HORIZON NORTH LOGISTICS INC.

Notes to the Consolidated Financial Statements, Page 4

Years ended December 31, 2009 and 2008

4. Significant Accounting Policies (continued)

(k) Revenue recognition:

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 and equipment rentals are rendered and only when collectability is reasonably assured.

The Corporation's sales of manufactured camps are based upon contracts with its customers that include fixed prices. Revenue is recognized upon completion of the manufacturing process and shipment to the customer. Deposits received prior to the completion of a camp are deferred until the manufacturing process is complete and the camp has been shipped to the customer.

(l) Stock-based compensation plan:

The Corporation has an equity incentive plan which is described in Note 16. The fair value of common share purchase options is calculated at the date of grant using the Black-Scholes option pricing model and that value is recorded as compensation expense on a straight-line basis over the grant's vesting period with an offsetting credit to contributed surplus. Upon exercise of the common share purchase option, the associated amount will be reclassified from contributed surplus to share capital. Consideration paid by employees upon exercise of equity purchase options will be credited to share capital.

(m) Income taxes:

The Corporation follows the asset and liability method to account for income taxes. Under this method, future income tax assets and liabilities are determined based on the differences between the accounting and income tax bases of assets and liabilities, measured using the substantively enacted income tax rates and laws that will be in effect when the differences are expected to reverse. Changes to these balances are recognized in earnings in the period in which they occur. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

(n) Employee benefit plan:

At December 31, 2009, the Corporation had a defined contribution retirement plan in which contributions are matched up to 5% of the employee's salary. Employer contributions to defined contribution plans are expensed as employees earn the entitlement and contributions are made.

(o) Per share amounts:

Basic per share amounts are calculated using the weighted average number of common shares outstanding for the year. Diluted per share amounts are calculated following the treasury stock method assuming that proceeds obtained upon the exercise of options would be used to purchase common shares at the average market price during the period.

(p) Comparative figures:

Certain prior period amounts have been reclassified to conform to the current period's presentation.

HORIZON NORTH LOGISTICS INC.

Notes to the Consolidated Financial Statements, Page 5

Years ended December 31, 2009 and 2008

5. Acquisitions

For the year ended December 31, 2009:

- (a) On July 21, 2009, Horizon acquired all of the common shares of Paramount Structures Inc. ("Paramount") for cash of \$818,000. Paramount designs, manufactures, sells and rents modular blast resistant portable building solutions to customers with refinery and petrochemical plant operations. The purchase price and its allocation to assets and liabilities was as follows:

(000's)	Amount
Inventory	\$ 208
Property, plant and equipment	10
Intangible assets	293
Goodwill	472
Current liabilities	(237)
Future income tax assets	72
Total cash consideration	\$ 818

For the year ended December 31, 2008:

- (b) On January 31, 2008, Horizon acquired all of the common shares of Arctic Portable Buildings Inc. ("Arctic") for cash of \$541,000. Arctic rents portable building solutions to customers located in western Canada in the mining, construction, forestry and oil and gas sectors. The purchase price and its allocation to assets and liabilities was as follows:

(000's)	Amount
Property, plant and equipment	\$ 541
Goodwill	151
Future income tax liabilities	(151)
Total cash consideration	\$ 541

6. Financial Risk Management

- (a) Overview:

The Corporation is exposed to a number of different financial risks arising from normal course business operations as well as through the Corporation's financial instruments comprised of cash and cash equivalents, trade accounts receivable, trade accounts payable and accrued liabilities, income taxes receivable and payable and long-term debt. 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, the Corporation's objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital.

- (b) Credit risk:

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

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

HORIZON NORTH LOGISTICS INC.

Notes to the Consolidated Financial Statements, Page 6

Years ended December 31, 2009 and 2008

6. Financial Risk Management (continued)

(b) Credit risk (continued):

The following shows the aged balances of accounts receivable:

(000's)	December 2009	December 2008
Neither impaired nor past due	\$ 6,931	\$ 16,513
Impaired	647	548
Outstanding 31-60 days	2,727	7,481
Outstanding 61-90 days	2,002	5,122
Outstanding more than 90 days	2,410	6,111
Total	\$ 14,717	\$ 35,775
Allowance for doubtful accounts	(647)	(548)
Accrued revenue	2,222	2,315
Other receivables	8,623	331
Total accounts receivable	\$ 24,915	\$ 37,873

In the year ended December 31, 2009, the Corporation provided an allowance for \$291,000 of receivables aged greater than 90 days and also collected \$22,000 on amounts which had previously been allowed for. The Corporation also applied \$170,000 of allowance for doubtful accounts against the associated receivable balance. As at February 25, 2010 the Corporation has collected \$923,000 and \$8,000,000 on amounts outstanding more than 90 days and other receivables respectively.

(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. In addition, the Corporation's credit facilities in place at December 31, 2009 are the following:

- \$20,000,000 revolving credit facility secured by a floating charge on land, a first floating charge on all present and after-acquired real property, and a first ranking security interest in all personal property of the Corporation and its wholly owned subsidiaries. Interest is payable at the bank prime rate plus 1.00% (December 31, 2009 – 3.25%).
- \$60,000,000 senior secured revolving term facility secured by a floating charge on land, a first floating charge on all present and after-acquired real property, and a first ranking security interest in all personal property of the Corporation and its wholly owned subsidiaries. Interest is payable at the bank prime rate plus 1.50% (December 31, 2009 – 3.75%).

HORIZON NORTH LOGISTICS INC.

Notes to the Consolidated Financial Statements, Page 7

Years ended December 31, 2009 and 2008

6. Financial Risk Management (continued)

(c) Liquidity risk (continued):

The following shows the timing of cash outflows relating to trade and other payables and funded debt.

(000's)	December 2009		December 2008	
	Trade and other payables ⁽¹⁾	Funded debt ⁽²⁾	Trade and other payables ⁽¹⁾	Funded debt ⁽²⁾
Year 1	\$ 12,964	\$ 8,839	\$ 18,177	\$ 9,322
Year 2	-	13,166	-	16,224
Year 3	-	15,554	-	19,200
Year 4	-	3,425	-	3,200
Year 5	-	3,718	-	-
	\$ 12,964	\$ 44,702	\$ 18,177	\$ 47,946

(1) Trade and other payables include bank indebtedness, accounts payable and accrued liabilities, deferred revenues.

(2) Funded debt includes operating lines of credit and long-term debt. Horizon's senior secured revolving term facility reached its term on February 1, 2009. The facility was renewed and extended to its next renewal date of February 1, 2010 and has been assumed to be termed out on the next renewal date. 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.

Foreign currency exchange risk

The Corporation has limited exposure to foreign currency exchange risk as sales and purchases are typically denominated in Canadian Dollars (CAD). The Corporation's exposure to foreign currency exchange risk arises from the purchase of some raw materials which are denominated in U.S. Dollars (USD). Raw material purchases affect inventory, capital assets, cost of goods sold and depreciation expense balances, therefore, sensitivity analysis is limited to cash used in operating activities. The effect of a \$0.01 increase in the USD/CAD exchange rate would decrease cash used in operating activities for the year ended December 31, 2009 by approximately \$10,000 (\$65,000 – December 31, 2008). This assumes that the quantity of USD raw material purchases in the year ended December 31, 2009 remains unchanged and that the change in the USD/CAD exchange rate is effective from the beginning of the year.

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 and senior secured revolving term facility which bear interest at rates of prime plus 1.00% and prime plus 1.50%, respectively. If prime were to have increased by 1%, it is estimated that the Corporation's net earnings would have decreased by approximately \$310,000 for the year ended December 31, 2009 (\$430,000 – December, 31, 2008). This assumes that the amount and mix of fixed and floating rate debt in the year ended December 31, 2009 remains unchanged and that the change in interest rates is effective from the beginning of the year.

7. Inventory

(000's)	December 2009	December 2008
Raw materials	\$ 6,139	\$ 6,217
Work-in-progress	2,227	862
Finished goods	3,405	2,881
	\$ 11,771	\$ 9,960

HORIZON NORTH LOGISTICS INC.

Notes to the Consolidated Financial Statements, Page 8

Years ended December 31, 2009 and 2008

8. Other Assets

The Corporation's other assets consists of a 25 year prepaid lease for a building and land to accommodate its manufacturing operations.

9. Property, Plant and Equipment

December 31, 2009 (000's)	Cost	Accumulated Depreciation	Net Book Value
Camp facilities	\$ 111,485	\$ 17,867	\$ 93,618
Tugs, barges & other marine equipment	18,276	4,755	13,521
Buildings	14,849	2,600	12,249
Automotive & trucking equipment	16,310	6,740	9,570
Mats	9,189	3,063	6,126
Land	8,029	-	8,029
Fuel supply & camp & catering equipment	9,738	2,724	7,014
Leasehold improvements	1,116	522	594
Manufacturing equipment	1,009	440	569
Furniture & fixtures & other equipment	814	435	379
Computer hardware & software	1,003	380	623
Capital assets under construction	4,133	-	4,133
	\$ 195,951	\$ 39,526	\$ 156,425

December 31, 2008 (000's)	Cost	Accumulated Depreciation	Net Book Value
Camp facilities	\$ 90,395	\$ 9,838	\$ 80,557
Tugs, barges & other marine equipment	18,378	3,834	14,544
Buildings	13,683	1,789	11,894
Automotive & trucking equipment	16,202	4,234	11,968
Mats	9,085	2,393	6,692
Land	8,790	-	8,790
Fuel supply & camp & catering equipment	6,374	1,567	4,807
Leasehold improvements	1,151	301	850
Manufacturing equipment	860	300	560
Furniture & fixtures & other equipment	625	221	404
Computer hardware & software	728	196	532
Capital assets under construction	6,326	-	6,326
	\$ 172,597	\$ 24,673	\$ 147,924

10. Goodwill

(000's)	Amount
Balance December 31, 2007	\$ 114,549
Purchase price adjustments	210
Acquisition	151
Goodwill impairment loss	(114,910)
Balance December 31, 2008	-
Acquisition	472
Balance December 31, 2009	\$ 472

Horizon performed its annual goodwill impairment test in the fourth quarter of 2009. The fair value of the Corporation's segments was greater than their book value, therefore no impairment is required.

HORIZON NORTH LOGISTICS INC.

Notes to the Consolidated Financial Statements, Page 9

Years ended December 31, 2009 and 2008

11. Intangible Assets

(000's)	Cost	Accumulated Amortization	Net Book Value December 2009	Net Book Value December 2008
Customer relationships	\$ 56,311	\$ 22,356	\$ 33,955	\$ 41,877
Non-compete agreements	2,551	2,164	387	884
Land lease & other	1,343	365	978	271
Total intangible assets	\$ 60,205	\$ 24,885	\$ 35,320	\$ 43,032

12. Long-Term Investments

Equity investments include Kitikmeot Caterers Ltd. ("Kitikmeot"), Sakku Caterers Limited ("Sakku"), Mackenzie Valley Logistics Inc. ("Mackenzie Valley"), Mackenzie Delta Integrated Oilfield Services Ltd. ("MDIOS") and Beaufort Logistics Inc. ("Beaufort").

(000's)	Kitikmeot & Sakku	Mackenzie Valley	MDIOS	Beaufort	Total Investments
Balance December 31, 2007	\$ 2,862	\$ 1,388	\$ 1,428	\$ 1	\$ 5,679
Earnings (loss) on equity investment	780	28	(219)	-	589
Return of capital	-	(73)	(261)	-	(334)
Post-closing purchase price adjustment	(174)	-	-	-	(174)
Balance December 31, 2008	\$ 3,468	\$ 1,343	\$ 948	\$ 1	\$ 5,760
Earnings (loss) on equity investment	970	(19)	190	-	1,141
Impairment	(412)	-	-	-	(412)
Return of capital	(2,362)	-	-	-	(2,362)
Balance December 31, 2009	\$ 1,664	\$ 1,324	\$ 1,138	\$ 1	\$ 4,127

13. Operating Lines of Credit

Horizon has a \$20,000,000 revolving credit facility which bears interest at a rate of prime plus 1.00% (December 31, 2009 - 3.25%, December 31, 2008 - 3.75%) with a syndicate of Canadian Chartered banks. At December 31, 2009, the Corporation had \$6,900,000 (December 31, 2008 - \$8,544,000) drawn on the revolving credit facility. The revolving credit facility is secured by a floating charge on land, a first floating charge on all present and after-acquired real property, and a first ranking security interest in all personal property of the Corporation and its wholly owned subsidiaries.

In 2009 Arctic Oil & Gas Services Inc. renegotiated its revolving credit facility with a Canadian Chartered bank. The facility is used exclusively to maintain the letters of credit with no additional borrowings available. No amounts have been drawn or are available to be drawn on this facility at December 31, 2009. At December 31, 2008, \$580,000 (Horizon's 50% - \$290,000) was drawn on the facility at an interest rate of prime plus 0.75% (4.25% - December 31, 2008). This revolving credit facility is secured by a first ranking security interest in and a floating charge on all personal property of Arctic Oil & Gas Services Inc., a first fixed charge on Swimming Point and other camp facilities.

14. Long-Term Debt

(000's)	December 2009	December 2008
Senior secured revolving term facility	\$ 29,100	\$ 38,400
Vehicle and equipment financing	197	712
Notes Payable	8,505	-
	\$ 37,802	\$ 39,112
Less current portion	(1,939)	(488)
	\$ 35,863	\$ 38,624

HORIZON NORTH LOGISTICS INC.

Notes to the Consolidated Financial Statements, Page 10

Years ended December 31, 2009 and 2008

14. Long-Term Debt (continued)

Senior Secured Revolving Term Facility

Horizon has a \$60,000,000 senior secured revolving term facility ("Term Facility") which bears interest at a rate of prime plus 1.50% or 3.75% at December 31, 2009 (December 31, 2008 - 4.25%) with a syndicate of Canadian Chartered banks. The senior secured revolving term facility is secured by a floating charge on land, a first floating charge on all present and after-acquired real property, and a first ranking security interest in all personal property of Horizon North Logistics Inc. and its wholly owned subsidiaries.

Horizon's senior secured revolving term facility has terms which permit Horizon to extend the revolving facility for a period of 364 days prior to the maturity date. If the option to extend the facility is denied or Horizon requests the facility be converted to a non-revolving term facility, Horizon will commence making monthly payments equal to one twenty-fourth of the balance outstanding at the term out date on the first day of the thirteenth month subsequent to the maturity date. Horizon has incurred financing costs associated with this facility that are being deferred and amortized using the effective interest method. The carrying value of the term facility approximates its fair value as interest rates are floating with the bank's prime rate.

Vehicle and Equipment Financing

At December 31, 2009 Horizon had several vehicle and equipment financing contracts which are secured by the specific assets. The loans are repayable in monthly payments ranging from \$770 to \$3,703, including interest ranging from 0% to 4.90%. The carrying value of the vehicle and equipment financing approximates its fair value due to the short term nature of the debt.

Notes Payable

Horizon acquired \$10,850,000 of notes payable during 2009 as part of the purchase price for 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. In accordance with section 3862 of the CICA handbook "Financial Instruments – Disclosures" the notes have been initially measured at their fair value using inputs not based on observable market data (Level 3). The fair value of these notes was initially measured at \$8,771,000 using a discount rate of 9% which is consistent with market rates for debt with similar characteristics. At December 31, 2009 these notes were recorded at an amortized cost amount of \$8,505,000.

Principal Repayments

(000's)	Amount
2010	\$ 1,939
2011	13,166
2012	15,554
2013	3,425
2014 and beyond	3,718
	\$ 37,802

15. 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)	December 2009	December 2008
Earnings (loss) before income taxes	\$ 7,682	\$ (96,500)
Combined federal and provincial income tax rate	<u>29.00%</u>	<u>29.50%</u>
Expected income tax provision	2,228	(28,468)
Goodwill impairment loss	-	29,525
Non-deductible stock based compensation	151	520
Earnings on equity investments	(211)	(174)
Change in estimated timing of realization of temporary differences	(58)	570
Other	117	(524)
	\$ 2,227	\$ 1,449

HORIZON NORTH LOGISTICS INC.

Notes to the Consolidated Financial Statements, Page 11

Years ended December 31, 2009 and 2008

15. Income Taxes (continued)

The components of net future income tax (asset) liability are as follows:

(000's)	December 2009	December 2008
Property, plant and equipment	\$ 15,083	\$ 13,793
Intangible assets	4,173	6,157
Goodwill	(3,250)	(4,114)
Income tax losses	(2,364)	(2,871)
Share issuance costs	(955)	(1,509)
	\$ 12,687	\$ 11,456

The Corporation has net operating losses for Canadian tax purposes of \$8,340,000 available to reduce future taxable income in Canada, which will expire as follows:

(000's)	Amount
2010	\$ -
2011	-
2012	-
2013	1
2014 and beyond	8,339
	\$ 8,340

16. 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, 2007	110,400,363	\$ 257,515
Share issue costs pertaining to November 30, 2007 private placement (net of future income taxes of \$5,000)	-	(10)
Balance at December 31, 2008	110,400,363	\$ 257,505
Repurchased and cancelled shares	(5,185,500)	(12,095)
Share purchase costs	-	(57)
Balance at December 31, 2009	105,214,863	\$ 245,353

The Corporation was granted approval from the Toronto Stock Exchange for a normal course issuer bid to repurchase up to a maximum of 7,426,978 common shares of the Corporation over the period from July 24, 2009 to July 23, 2010. As at February 25, 2010, 5,185,000 common shares had been repurchased and cancelled for a weighted average purchase price of \$1.23 excluding transaction costs.

HORIZON NORTH LOGISTICS INC.

Notes to the Consolidated Financial Statements, Page 12

Years ended December 31, 2009 and 2008

16. Share Capital (continued)

(c) Stock option plan:

The Corporation has a stock 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. Stock option vesting privileges are at the discretion of the Board of Directors and were set three years for the 2006 plan.

	Outstanding options	Weighted average exercise price per share \$	Options exercisable
Balance December 31, 2008	4,351,000	3.30	2,183,482
Granted	2,597,500	1.37	-
Forfeited	(927,500)	3.36	-
Balance December 31, 2009	6,021,000	2.46	2,810,488

The exercise prices for options outstanding at December 31, 2009 are as follows:

Exercise price per share	Number	Total options outstanding		Exercisable options	
		Weighted average exercise price per share \$	Weighted average remaining contractual life in years	Number	Weighted average exercise price per share \$
\$1.35 to \$1.40	2,597,500	1.37	5.0	-	1.37
\$3.00 to \$3.25	2,063,500	3.24	2.3	1,558,822	3.24
\$3.26 to \$3.50	1,355,000	3.35	6.2	1,248,332	3.35
\$3.51 to \$3.75	5,000	3.56	2.4	3,334	3.56
	6,021,000	2.46	4.3	2,810,488	3.29

The Corporation calculated the fair value of the stock options granted using the Black-Scholes pricing model to estimate the fair value of the stock options issued at the date of grant. The weighted average fair value per option granted during the year ended December 31, 2009 was \$0.73 (December 31, 2008 – \$1.25). The weighted average fair market value of all options outstanding and the assumptions used in their determination are as follows: weighted average fair value per option \$1.13 (December 31, 2008 – \$1.47); weighted average expected life of 3.3 years (December 31, 2008 – 3.6), weighted average risk-free interest rate 3.3% (December 31, 2008 – 4.1%), and weighted average volatility 68.5% (December 31, 2008 – 58%).

For the year ended December 31, 2009, stock-based compensation expense on stock options included in net earnings amounted to \$521,000 (December 31, 2008 - \$1,762,000).

(d) Contributed surplus:

(000's)	Amount
Balance December 31, 2008	\$ 5,564
Stock based compensation expense	521
Effect of shares repurchased and cancelled under normal course issuer bid	5,727
Balance December 31, 2009	\$ 11,812

HORIZON NORTH LOGISTICS INC.

Notes to the Consolidated Financial Statements, Page 13

Years ended December 31, 2009 and 2008

16. Share Capital (continued)

(e) Per share amounts:

A summary of the common shares used in calculating earnings per share is as follows:

	December 2009	December 2008
Weighted average common shares outstanding – basic	106,886,735	110,400,363
Effect of share purchase options ⁽¹⁾	9,026	-
Weighted average common shares outstanding – diluted	106,895,761	110,400,363

(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.

17. Contingent Liabilities and Commitments

- (a) Some of the Corporation's facilities are situated on lands leased from the Government of the Northwest Territories, Alberta and British Columbia. On the termination of the lease, the Corporation is to return the land in a condition satisfactory to the Government, which would include restoration of the land. At this time, the need for or nature of future site restoration costs which may be incurred cannot be determined.
- (b) The Corporation has outstanding bank letters of credits as follows:

Maturity Date	Amount (000's)
January 16, 2010	\$ 25
February 1, 2010	638
June 1, 2010	150
November 2, 2010	74
November 12, 2010	564

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

(000's)	Amount
2010	\$ 1,892
2011	1,548
2012	1,049
2013	584
2014	493
	\$ 5,566

18. Employee Benefit Plan

The Corporation has a registered defined contribution pension plan covering a number of its employees. Under the defined contribution plan, the Corporation matches individual contributions to a maximum of 5% of the employee's annual salary. Total expense under the defined contribution plan in the year ended December 31, 2009 was \$786,000 (December 31, 2008 - \$707,000).

HORIZON NORTH LOGISTICS INC.

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Years ended December 31, 2009 and 2008

19. Segmented Information

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

Year ended December 31, 2009	Camps & Catering	Matting	Marine Services	Corporate	Inter-segment Eliminations	Total
Revenue	\$ 120,516	\$ 19,798	\$ 5,102	\$ -	\$ (1,524)	\$ 143,892
Operating earnings (loss)	14,630	(57)	289	(6,426)	50	8,486
Depreciation and amortization	18,775	5,821	1,165	240	(84)	25,917
(Gain) on disposal of assets	(1,398)	(9)	-	-	-	(1,407)
Stock based compensation	335	99	9	78	-	521
Total assets	188,568	26,590	18,145	6,395	(191)	239,507
Goodwill	472	-	-	-	-	472
Intangibles	27,084	8,236	-	-	-	35,320
Capital expenditures	29,390	3,054	223	438	(79)	33,026

Year ended December 31, 2008	Camps & Catering	Matting	Marine Services	Corporate	Inter-segment Eliminations	Total
Revenue	\$ 137,025	\$ 36,166	\$ 10,447	\$ -	\$ (2,859)	\$ 180,779
Operating earnings (loss)	25,142	1,923	1,847	(8,580)	(246)	20,086
Depreciation and amortization	16,037	6,060	1,075	174	(64)	23,282
Loss (gain) on disposal of assets	30	(17)	-	-	-	13
Stock based compensation	809	196	19	738	-	1,762
Total assets	184,177	36,363	19,381	7,183	(163)	247,181
Goodwill	-	-	-	-	-	-
Intangibles	32,430	10,602	-	-	-	43,032
Capital expenditures	49,411	5,199	1,903	247	(586)	56,174

The Corporation has a major customer in the camp and catering segment which generated 27% of total revenues for the year ended December 31, 2009 (21% - December 31, 2008).

HORIZON NORTH LOGISTICS INC.

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Years ended December 31, 2009 and 2008

20. Related Party Transactions

Description of related party		December 2009	December 2008
Corporation of which a director of Horizon is an officer	Purchases	\$ 5,000	\$ 45,000
	Sales	472,000	176,000
	Included in trade accounts receivable	8,000	94,000
Corporation of which a director of Horizon is a director and a director and officer of Horizon is a director	Purchases	117,000	381,000
	Sales	43,000	81,000
	Included in trade accounts receivable	18,000	33,000
	Included in trade accounts payable	14,000	7,000
Corporation which is a significantly influenced investee	Included in trade accounts receivable	66,000	161,000
	Included in trade accounts payable	-	14,000
Corporation which is a significantly influenced investee	Purchases	-	137,000
	Sales	4,017,000	6,270,000
	Recovery of administrative overhead charged	136,000	152,000
	Included in trade accounts receivable	83,000	992,000
	Included in trade accounts payable	-	25,000
Corporation which is a significantly influenced investee	Purchases	157,000	47,000
	Sales	288,000	3,000
	Distribution of profit (loss)	1,008,000	-
	Included in trade accounts receivable	17,000	461,000
Corporation which is a significantly influenced investee	Included in trade accounts payable	18,000	24,000
	Sales	2,000	28,000
	Distribution of profit (loss)	(38,000)	-
	Interest earned	8,000	7,000
Corporation which is a significantly influenced investee	Included in trade accounts receivable	-	227,000
	Purchases	-	57,000
Corporation which is a significantly influenced investee	Sales	-	281,000
	Purchases	75,000	260,000
Corporation which is a jointly controlled investee	Sales	115,000	7,000
	Rent charged	99,000	93,000
	Recovery of administrative overhead charged	84,000	132,000
	Included in trade accounts receivable	11,000	83,000
	Rent paid	58,000	58,000

All related party transactions in the normal course of operations have been measured at the agreed to exchange amounts, which is the amount of consideration established and agreed to by the related parties and which is similar to those negotiated with third parties.

HORIZON NORTH LOGISTICS INC.

Notes to the Consolidated Financial Statements, Page 16

Years ended December 31, 2009 and 2008

21. Joint Venture

The Corporation's interests in the Arctic Oil & Gas Services Inc. joint venture are as follows:

(000's)	December 2009	December 2008
Current assets	\$ 309	\$ 459
Property, plant and equipment, net	1,224	1,390
Current liabilities	5	397
Future income tax liability	241	261
Revenues	\$ 959	\$ 2,058
Expenses	1,324	2,545
Net (loss) income	\$ (365)	\$ (487)
Cash flows resulting from operating activities	609	(131)
Cash flows resulting from investing activities	(290)	145
Cash flows resulting from financing activities	-	(19)

22. Supplemental Information

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

(000's)	December 2009	December 2008
Accounts receivable	\$ 11,337	\$ (17,273)
Inventory	(1,697)	4,472
Prepaid expenses	349	(955)
Accounts payable and accrued liabilities	(3,596)	588
Deferred revenue	(99)	(692)
Income taxes receivable/payable	(40)	(2,891)
	\$ 6,254	\$ (16,751)

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

(000's)	December 2009	December 2008
Accounts receivable	\$ 1,621	\$ 885
Inventory	94	-
Prepaid expenses	(1)	78
Accounts payable and accrued liabilities	186	(49)
Deferred revenue	-	-
Income taxes receivable/payable	-	-
	\$ 1,900	\$ 914

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

(000's)	December 2009	December 2008
Accounts receivable	\$ -	\$ -
Inventory	-	-
Prepaid expenses	(490)	-
Accounts payable and accrued liabilities	(165)	(210)
Deferred revenue	-	-
Income taxes receivable/payable	-	-
	\$ (655)	\$ (210)

HORIZON NORTH LOGISTICS INC.

Notes to the Consolidated Financial Statements, Page 17

Years ended December 31, 2009 and 2008

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 debt to EBITDAS ⁽¹⁾ and total debt to total debt plus shareholders' equity.

Total debt to EBITDAS ⁽¹⁾ is calculated as short-term debt plus long-term debt divided by 12 months EBITDAS ⁽¹⁾. Total debt to EBITDAS ⁽¹⁾ is monitored from both a historical and anticipated EBITDAS ⁽¹⁾ perspective.

Total debt to total debt plus shareholders equity is calculated as short-term debt plus long-term debt divided by short-term debt plus long-term debt plus shareholders' equity.

The Corporation's strategy during the year ended December 31, 2009, which was unchanged from 2008, was to maintain a low level of debt in comparison to EBITDAS ⁽¹⁾ and total debt plus shareholders' equity.

(000's)	December 2009	December 2008
Balance sheet components of ratios		
Short-term debt ⁽²⁾	\$ 8,839	\$ 9,322
Long-term debt ⁽²⁾	35,863	38,624
Total debt	44,702	47,946
Shareholders' equity	169,154	169,602
Total debt plus shareholders' equity	\$ 213,856	\$ 217,548
Income statement components of ratios (trailing 12 months)		
Operating earnings	\$ 8,486	\$ 20,086
Depreciation	17,048	14,315
Amortization	8,869	8,967
(Gain) loss on disposal of property, plant and equipment	(1,407)	13
Stock based compensation	521	1,762
EBITDAS ⁽¹⁾	\$ 33,517	\$ 45,143
Total debt to EBITDAS ⁽¹⁾	1.33	1.06
Total debt to total debt plus shareholders equity	0.21	0.22

(1) EBITDAS (Earnings before interest, taxes, depreciation, amortization, gain/loss on disposal of property, plant and equipment and stock based compensation) is not a recognized measure under Canadian generally accepted accounting principles (GAAP). 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. 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 Long-term debt includes the revolving term credit facility, operating line and notes payable. The Corporation's variable-rate revolving term credit facility approximates its carrying value as it is at a floating market rate of interest. The Corporation's notes payable is non-interest bearing without a fix term of repayment and has been initially measured at fair value. See Note 14 – "Long Term Debt."

24. Subsequent Events

Subsequent to December 31, 2009, Horizon renewed its revolving credit and senior secured revolving term credit facilities. The credit facilities were renewed for an additional 16 months, extending the maturity date on the senior secured revolving term facility and operating line to July 2, 2011. The interest rate on the operating line was increased to the bank prime rate plus 1.25% and the senior secured revolving term facility remained unchanged at the bank prime rate plus 1.50% but was reduced from \$60,000,000 to \$40,000,000 at management's request.

CORPORATE INFORMATION

DIRECTORS

Ethel Blondin-Andrew⁽³⁾⁽⁴⁾
Yellowknife, Northwest Territories

Roderick Graham⁽¹⁾⁽²⁾⁽³⁾
Calgary, Alberta

Steven Grant⁽¹⁾⁽²⁾
Houston, Texas

Bruce Mullen⁽¹⁾⁽²⁾
Calgary, Alberta

Russell Newmark⁽¹⁾⁽²⁾⁽³⁾
Calgary, Alberta

Ric Peterson
Calgary, Alberta

Shane Stampe⁽⁴⁾
Calgary, Alberta

Dean Swanberg⁽³⁾⁽⁴⁾
Grande Prairie, Alberta

- (1) Audit Committee Member
- (2) Compensation Committee Member
- (3) Governance and Nominating Committee Member
- (4) Health, Safety and Environment Committee Member

CORPORATE OFFICE

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OFFICERS

Ric Peterson
Executive Chairman

Bob German
President and Chief Executive Officer

Scott Matson
Vice President Finance and Chief Financial Officer

Bill Anderson
Vice President Health, Safety and Environment

Jan Campbell
Corporate Secretary

LEGAL COUNSEL

Borden Ladner Gervais LLP
Calgary, Alberta

AUDITOR

KPMG LLP
Calgary, Alberta

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Symbol: HNL

TRANSFER AGENT

CIBC Mellon Trust Company
Calgary, Alberta

