Consolidated Financial Statements of

For the years ended December 31, 2012 and 2011

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Horizon North Logistics Inc.

We have audited the accompanying consolidated financial statements of Horizon North Logistics Inc., which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Horizon North Logistics Inc. as at December 31, 2012 and December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants

Calgary, Canada
February 20, 2013

Consolidated statement of financial position

(000's)	December 31, 2012	December 31, 2011
Assets		
Current assets:		
Trade and other receivables (Note 11)	133,195	83,484
Inventories (Note 12)	13,321	15,334
Prepayments	2,506	3,981
Income taxes receivable	146	-
	149,168	102,799
Non-current assets:		
Property, plant and equipment (Note 13)	330,205	228,793
Intangible assets (Note 14)	10,028	18,232
Goodwill (Note 14)	2,136	2,136
Investments in equity accounted investees (Note 15)	-	529
Deferred tax assets (Note 19)	1,772	1,837
Other assets (Note 16)	2,684	2,811
	346,825	254,338
	$ 495,993	$ 357,137
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables	59,511	41,833
Deferred revenue	588	13,601
Income taxes payable	12,661	4,380
Current portion of loans and borrowings (Note 17)	1,416	1,281
	74,176	61,095
Non-current liabilities:		
Asset retirement obligations (Note 18)	1,364	1,283
Loans and borrowings (Note 17)	116,872	55,234
Deferred tax liabilities (Note 19)	29,318	23,456
	221,730	141,068
Shareholders' equity:		
Share capital (Note 20)	179,999	173,438
Contributed surplus	10,783	10,421
Accumulated other comprehensive income	208	158
Retained earnings	83,273	32,052
	274,263	216,069
	$ 495,993	$ 357,137

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

signed "Ann Rooney"
Director

signed "Bob German"
Director

Consolidated statement of comprehensive income
Twelve months ended December 31, 2012 and 2011

(000's except per share amounts)	December 31, 2012	December 31, 2011
Revenue (Note 5)	$ 526,616	$ 402,993
Operating expenses:		
Direct costs (Note 6)	364,361	285,837
Depreciation (Note 13)	32,007	21,420
Amortization of intangible assets (Note 14)	44	163
Share based compensation	1,268	377
Impairment loss (Note 13 & 14)	-	8,071
(Gain) loss on disposal of property, plant and equipment	(93)	1,521
Direct operating expenses (Note 6)	397,587	317,389
Gross profit	129,029	85,604
Selling & administrative expenses:		
Selling & administrative expenses (Note 7)	17,228	14,520
Amortization of intangible assets (Note 14)	8,160	8,140
Share based compensation (Note 20)	883	221
Selling & administrative expenses (Note 7)	26,271	22,881
Operating earnings	102,758	62,723
Finance costs (Note 9)	3,557	2,467
Share of equity accounted investees (Note 15)	529	27
Profit before tax	98,672	60,229
Current tax expense	19,862	8,248
Deferred tax expense (Note 19)	5,927	7,159
Income tax expense (Note 10)	25,789	15,407
Total profit	72,883	44,822
Other comprehensive income:		
Translation of foreign operations	(50)	(158)
Other comprehensive income, net of income tax	(50)	(158)
Total comprehensive income	$ 72,933	$ 44,980
Earnings per share:		
Basic (Note 21)	$ 0.67	$ 0.42
Diluted (Note 21)	$ 0.66	$ 0.41

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

HORIZON NORTH
Logistics Inc

Consolidated statement of changes in equity

(000's)	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	Total
Balance at December 31, 2010	$ 245,353	$ 11,446	$ -	$ (78,000)	$ 178,799
Reduction of capital (Note 20)	(78,000)	-	-	78,000	-
Total profit	-	-	-	44,822	44,822
Share based compensation	-	598	-	-	598
Share options exercised	6,085	(1,623)	-	-	4,462
Translation of foreign operations	-	-	158	-	158
Dividends declared and paid ($0.08 per share)	-	-	-	(8,500)	(8,500)
Dividends declared ($0.04 per share)	-	-	-	(4,270)	(4,270)
Balance at December 31, 2011	$ 173,438	$ 10,421	$ 158	$ 32,052	$ 216,069
Total profit	-	-	-	72,883	72,883
Share based compensation (Note 20)	-	2,151	-	-	2,151
Share options exercised (Note 20)	6,561	(1,789)	-	-	4,772
Translation of foreign operations	-	-	50	-	50
Dividends declared and paid ($0.15 per share)	-	-	-	(16,223)	(16,223)
Dividends declared ($0.05 per share)	-	-	-	(5,439)	(5,439)
Balance at December 31, 2012	$ 179,999	$ 10,783	$ 208	$ 83,273	$ 274,263

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

Consolidated statement of cash flows
Twelve months ended December 31, 2012 and 2011

(000's)	December 31, 2012	December 31, 2011
Cash provided by (used in):		
Operating activities:		
Profit for the period	$ 72,883	$ 44,822
Adjustments for:		
Depreciation (Note 13)	32,007	21,420
Amortization of intangible assets (Note 14)	8,204	8,303
Impairment loss (Note 13 & 14 & 15)	-	8,071
Share based compensation (Note 20)	2,151	598
Amortization of other assets	127	123
Share of equity accounted investees (Note 15)	529	27
Gain on sale of property, plant and equipment	(2,924)	(1,267)
Unrealized foreign exchange	85	27
Finance costs (Note 9)	3,557	2,467
Income tax expense (Note 10)	25,789	15,407
	142,408	99,998
Income taxes paid	(11,727)	(5,211)
Interest paid	(2,904)	(1,708)
Changes in non-cash working capital items (Note 27)	(41,572)	(5,368)
	86,205	87,711
Investing activities:		
Purchase of property, plant and equipment (Note 13)	(139,346)	(101,034)
Proceeds on sale of property, plant and equipment	8,831	8,683
	(130,515)	(92,351)
Financing activities:		
Shares issued on exercise of options (Note 20)	4,772	4,462
Net proceeds from loans and borrowings (Note 17)	61,200	12,893
Payment of dividends	(20,493)	(8,500)
	45,479	8,855
Change in non-cash working capital items (Note 27)	(1,169)	(4,215)
	44,310	4,640
Change in cash position	-	-
Cash, beginning of period	-	-
Cash, end of period	$ -	$ -

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

1. Reporting Entity

Horizon North Logistics Inc. ("Horizon" or the "Corporation") is a company registered and domiciled in Canada and is a publicly-traded company, listed on the Toronto Stock Exchange under the symbol HNL. The Corporation's registered offices are at 1600, 505 – 3rd Street SW, Calgary, AB T2P 3E6. The consolidated financial statements of the Corporation as at and for the year ended December 31, 2012 comprise the Corporation and its subsidiaries and the Corporation's interest in associates and jointly controlled entities. Horizon provides camp & catering services, ground matting services, and marine transportation services to oil and gas exploration and production companies, oilfield service companies and mining companies working on oil sands, mineral exploration and development, and conventional oil and gas projects primarily in western Canada.

2. Basis of Presentation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements were authorized for issue by the Board of Directors on February 20th, 2013.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

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

Estimates

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

Judgements

- Impairment - The Corporation is required to make a judgement for the need for impairment at each reporting date by evaluating conditions specific to the organization that may lead to impairment of assets.

3. Significant Accounting Policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

(ii) Special purpose entities

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

(iii) Investments in associates (equity accounted investees)

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

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

(iv) Joint ventures

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

(v) Transactions eliminated on consolidation

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

3. Significant Accounting Policies (continued)

(b) Financial instruments

Financial Instrument	Category	Measurement Method
Trade and other receivables	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Loans and other borrowings	Other financial liabilities	Amortized cost

(i) Non-derivative financial assets

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

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

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

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

Financial assets at fair value through profit or loss are classified as held for trading or are designated as such upon initial recognition. Held-for-trading instruments are financial assets and liabilities typically acquired with the intention of generating revenues in the short-term. However, an entity is allowed to designate certain financial instruments as held-for-trading on initial recognition even if it would otherwise not satisfy the definition. As at December 31, 2012 and 2011 the Corporation does not hold any held-for-trading financial instruments. Financial assets required to be classified or designated as held-for-trading are measured at fair value, with gains and losses recorded in net earnings for the period in which the change occurs. Attributable transaction costs are recognized in profit or loss as incurred. The Corporation uses trade-date accounting for its held-for-trading financial assets. As at December 31, 2012 and 2011, the Corporation does not have any financial assets classified as financial assets at fair value through profit or loss.

Held-to-maturity investments are non-derivative financial assets, with fixed or determinable payments and fixed maturity, which an entity has the positive intention and ability to hold to maturity. These financial assets are initially recognized at fair value plus any directly attributable transaction costs. These financial assets are measured at amortized cost using the effective interest method. As at December 31, 2012 and 2011, the Corporation does not have any financial assets classified as held-to-maturity.

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

3. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Available-for-sale financial assets are non-derivative assets that are designated as available-for-sale or that are not classified as loans and receivables, held-to-maturity investments or held-for-trading. Available-for-sale financial assets are carried at fair value with unrealized gains and losses included in other comprehensive income until such gains or losses are realized or an other than temporary impairment is determined to have occurred. Available-for-sale assets are measured at fair value, except for assets that do not have a readily determinable fair value which are recorded at cost. Attributable transaction costs are recognized in profit or loss as incurred. As at December 31, 2012 and 2011, the Corporation does not have any financial assets classified as available-for-sale.

(ii) Non-derivative financial liabilities

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

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

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, there is a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Included in loans and borrowing are cash and cash equivalents comprising of cash balances and call deposits with original maturities of less than three months. Bank overdrafts that are repayable on demand and form an integral part of the Corporation's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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

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

(iii) Share capital

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

(c) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

3. Significant Accounting Policies (continued)

(c) Property, plant and equipment (continued)

(ii) Subsequent costs

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

(iii) Depreciation

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

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

Assets	Method	Residual Value	Useful Life
Camp facilities	Straight-line	20%	15 to 20 years
Marine equipment	Straight-line	-	20 years
Land &Buildings	Straight-line	-	20 years
Automotive & trucking equipment	Straight-line	-	4 to 8 years
Mats	Straight-line	-	6 years
Furniture, fixtures & other equipment	Straight-line	-	2 to 10 years

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

(d) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures. Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. Goodwill is not amortized but tested at least annually for impairment.

(ii) Assets acquired on business combinations

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

	Estimated useful lives
Customer relationships	7 years
Other intangible assets	5 years

3. Significant Accounting Policies (continued)

(d) Intangible assets (continued)

(ii) Assets acquired on business combinations (continued)

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

(e) Inventories

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

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

(f) Impairment

(i) Financial assets

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

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

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

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

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

3. Significant Accounting Policies (continued)

(f) Impairment (continued)

(i) Financial assets (continued)

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

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

(ii) Non-financial assets

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

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

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

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

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

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3. Significant Accounting Policies (continued)

(g) Employee benefits

(i) Non-financial assets

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

(ii) Short-term benefits

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

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

(iii) Share based compensation transactions

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

(h) Provisions

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

(i) Revenue

(i) Goods sold

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

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

(ii) Services

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

3. Significant Accounting Policies (continued)

(i) Revenue (continued)

(iii) Rental income

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

(iv) Construction contracts

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

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

(j) Lease payments

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

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

Determining whether an arrangement contains a lease:

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

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

(k) Finance income and costs

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

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

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

3. Significant Accounting Policies (continued)

(l) Income tax

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

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

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

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

(m) Earnings per share

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

(n) Segment reporting

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

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

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

3. Significant Accounting Policies (continued)

(o) Foreign currency translation (continued)

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

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

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

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

(p) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2012, and have not been applied in preparing these consolidated financial statements. The new, not adopted standards are not expected to have a material impact on the Corporation.

4. Determination of fair values

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

(a) Property, plant and equipment

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

(b) Intangible assets

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

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

4. Determination of fair values (continued)

(c) Other financial assets and liabilities

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

(d) Share-based compensation transactions

The fair value of the employee share options is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on measurement date, the exercise price of the instrument, the expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the weighted average expected life of the instruments (based on historical experience and general option holder behavior), the expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions are not taken into account in determining fair value.

5. Revenue

	Twelve months ended December 31	
(000's)	2012	2011
Sales of goods	$ 31,506	$ 33,449
Rendering of services	26,658	16,263
Rental and Catering revenue	311,939	214,637
Construction contract revenue	156,513	138,644
	$ 526,616	$ 402,993

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

At December 31, 2012, advances received from customers under open construction contracts amounted to $337,000 (2011 - $12,167,000). Advances for which the related work has not been completed are presented as deferred revenue.

6. Direct Operating Expenses

	Twelve months ended December 31	
(000's)	2012	2011
Labour	$ 181,891	$ 139,158
Job supplies	113,720	101,123
Rental equipment	14,299	7,220
Repairs & maintenance	14,843	10,084
Trucking costs	13,099	10,580
Other operating expenses	26,509	17,672
Direct costs	$ 364,361	$ 285,837
Depreciation	32,007	21,420
Amortization of intangible assets	44	163
Impairment loss	-	8,071
Share based compensation	1,268	377
(Gain) Loss on disposal of property, plant and equipment	(93)	1,521
	$ 397,587	$ 317,389

The amount of inventories recognized as an expense during the twelve months ended December 31, 2012 is $78,463,000 (2011 - $80,776,000).

7. Selling & Administrative Expenses

(000's)	Twelve months ended December 31 2012	2011
Salaries	$ 10,278	$ 7,032
Other selling & administrative expenses	6,950	7,488
Selling & administrative expenses	17,228	14,520
Amortization of intangible assets	8,160	8,140
Share based compensation	883	221
	$ 26,271	$ 22,881

8. Personnel expenses

(000's)	Twelve months ended December 31 2012	2011
Wages, salaries & benefits	$ 192,169	$ 143,810
Contributions to defined contribution plans	3,331	2,227
Share based compensation	2,151	598
	$ 197,651	$ 146,635

The Corporation has two types of defined contribution plans: a registered defined contribution plan covering a number of its employees and a collectively bargained plan covering union employees. Under the registered defined contribution plan, the Corporation matches individual contributions up to a maximum of 5% of the employee's annual salary. Under the collectively bargained plan, the Corporation contributes a set amount per hour worked. The total amount expensed under both defined contribution plans for the year ended December 31, 2012 was $3,331,000 (2011 - $2,227,000).

9. Finance Costs

(000's)	Twelve months ended December 31 2012	2011
Interest expense	$ 2,918	$ 1,755
Accretion of discount on notes payable	573	652
Accretion of provisions	66	60
	$ 3,557	$ 2,467

10. Income Taxes

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

	Twelve months ended December 31	
(000's)	2012	2011
Profit before tax	$ 98,672	$ 60,229
Combined federal and provincial income tax rate	25%	26.5%
Expected income tax provision	24,668	15,961
Non-deductible share based compensation	538	158
Share of equity accounted investees	132	456
Revisions to prior year tax pool estimates	(45)	(141)
Change in estimated timing of realization of temporary differences	-	(1,245)
Differences in jurisdictional tax rates	270	-
Other	226	218
	$ 25,789	$ 15,407

For the year ended December 31, 2012 income tax expense was $25,789,000, an effective tax rate of 26.1%, for the year ended December 31, 2011 income tax expense was $15,407,000, an effective tax rate of 25.5%. The increase in the effective tax rate is due mainly to differences in jurisdictional tax rates and the change in the estimated timing of realization of temporary differences.

11. Trade and other receivables

(000's)	December 31 2012	December 31 2011
Trade receivables	$ 112,636	$ 67,760
Accrued receivables	19,439	14,946
Loans and other receivables	1,180	904
Receivables due from related parties	435	30
	133,690	83,640
Allowance for doubtful	(495)	(156)
Trade and other receivables	$ 133,195	$ 83,484

At December 31, 2012, progress billings from customers under open construction contracts included in trade receivables amounted to $7,683,000 (2011 - $14,010,000). The Corporation estimates that the carrying value of financial assets within trade and other receivables approximate their fair value.

12. Inventories

(000's)	December 31 2012	December 31 2011
Raw materials	$ 10,919	$ 10,678
Work-in-progress	-	-
Finished goods	2,402	4,656
	$ 13,321	$ 15,334

13. Property, Plant and Equipment

Cost *(000's)*	Balance December 31 2011	Additions	Disposals	Impact of Foreign Translation	Balance December 31 2012
Camp facilities	$ 224,462	$ 125,581	$ (5,904)	$ (20)	$ 344,119
Marine equipment	18,830	-	-	-	18,830
Land & Buildings	28,456	3,171	11	-	31,638
Automotive & trucking equipment	25,346	7,107	(291)	-	32,162
Mats	6,294	5,745	(3,336)	-	8,703
Furniture, fixtures & other equipment	4,433	1,384	(95)	-	5,722
Assets under construction	6,850	(3,642)	-	-	3,208
	$ 314,671	$ 139,346	$ (9,615)	$ (20)	$ 444,382

Accumulated Depreciation *(000's)*	Balance December 31 2011	Depreciation	Disposals	Impact of Foreign Translation	Balance December 31 2012
Camp facilities	$ 45,894	$ 22,154	$ (1,802)	$ -	$ 66,246
Marine equipment	15,410	272	-	-	15,682
Land & Buildings	5,932	1,344	11	-	7,287
Automotive & trucking equipment	13,072	4,313	(248)	-	17,137
Mats	3,393	3,143	(1,574)	-	4,962
Furniture, fixtures & other equipment	2,177	781	(95)	-	2,863
Assets under construction	-	-	-	-	-
	$ 85,878	$ 32,007	$ (3,708)	$ -	$ 114,177

Carrying Amounts *(000's)*	Balance December 31 2011	Balance December 31 2012
Camp facilities	$ 178,568	$ 277,873
Marine equipment	3,420	3,148
Land & Buildings	22,524	24,351
Automotive & trucking equipment	12,274	15,025
Mats	2,901	3,741
Furniture, fixtures & other equipment	2,256	2,859
Assets under construction	6,850	3,208
	$ 228,793	$ 330,205

13. Property, Plant and Equipment (continued)

Cost *(000's)*	Balance December 31 2010	Additions	Disposals	Impact of Foreign Translation	Balance December 31 2011
Camp facilities	$ 149,878	$ 81,343	$ (6,889)	$ 130	$ 224,462
Marine equipment	18,569	261	-	-	18,830
Land & Buildings	23,888	4,568	-	-	28,456
Automotive & trucking equipment	20,364	5,673	(691)	-	25,346
Mats	5,270	3,125	(2,101)	-	6,294
Furniture, fixtures & other equipment	3,286	1,147	-	-	4,433
Assets under construction	1,933	4,917	-	-	6,850
	$ 223,188	$ 101,034	$ (9,681)	$ 130	$ 314,671

Accumulated Depreciation *(000's)*	Balance December 31 2010	Depreciation	Disposals	Impairment loss	Balance December 31 2011
Camp facilities	$ 27,486	$ 13,359	$ (970)	$ 6,019	$ 45,894
Marine equipment	15,143	267	-	-	15,410
Land & Buildings	4,717	1,215	-	-	5,932
Automotive & trucking equipment	9,733	3,783	(444)	-	13,072
Mats	2,196	2,073	(876)	-	3,393
Furniture, fixtures & other equipment	1,429	723	25	-	2,177
Assets under construction	-	-	-	-	-
	$ 60,704	$ 21,420	$ (2,265)	$ 6,019	$ 85,878

Carrying Amounts *(000's)*	Balance December 31 2010	Balance December 31 2011
Camp facilities	$ 122,392	$ 178,568
Marine equipment	3,426	3,420
Land & Buildings	19,171	22,524
Automotive & trucking equipment	10,631	12,274
Mats	3,074	2,901
Furniture, fixtures & other equipment	1,857	2,256
Assets under construction	1,933	6,850
	$ 162,484	$ 228,793

13. Property, Plant and Equipment (continued)

(a) Assets under construction

At December 31, 2012 and 2011, the Corporation had several camp facility fleet structures under construction for both maintenance and expansion purposes. The Corporation has not capitalized any borrowing costs for the twelve months ended December 31, 2012 (December 31, 2011 - $nil), due to the short term nature of construction.

(b) Capital commitments

At December 31, 2012 the Corporation had outstanding commitments to purchase property, plant and equipment for $227,000 (2011 - $38,750,000).

(c) Impairment

During the year ended December 31, 2012, certain assets in the Corporation's Marine CGU were under performing due to sustained low natural gas prices as well as slow business activity in Canada's Northern most regions. The Corporation tested the related assets for impairment using a value in use calculation with a high risk adjusted post-tax discount rate of 21.75%. No impairment loss was recorded during the year ended December 31, 2012.

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

14. Intangible Assets and Goodwill

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

Cost *(000's)*	Balance December 31 2011	Additions	Balance December 31 2012
Customer relationships	$ 56,194	$ -	$ 56,194
Other intangible assets	1,741	-	1,741
	$ 57,935	$ -	$ 57,935

Amortization *(000's)*	Balance December 31 2011	Amortization	Balance December 31 2012
Customer relationships	$ 38,533	$ 8,264	$ 46,797
Other intangible assets	1,170	(60)	1,110
	$ 39,703	$ 8,204	$ 47,907

Carrying Amount *(000's)*	Balance December 31 2011	Balance December 31 2012
Customer relationships	$ 17,661	$ 9,397
Other intangible assets	571	631
	$ 18,232	$ 10,028

14. Intangible Assets and Goodwill (continued)

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

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

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

(a) Impairment loss

Intangible assets with an indefinite useful life are required to be tested annually for impairment. All of the Corporation's intangible assets have a definite useful life and are currently being used.

During the year ended December 31, 2012, there were no indicators of impairment; therefore no impairment test was performed. During the year ended December 31, 2011, certain intangible assets in the Corporation's Camp and Catering CGU related to design and engineering costs were tested for impairment as a result of reduced demand for a specific blast resistant product. The Corporation tested the related assets for impairment using a value in use calculation with a risk adjusted post-tax discount rate of 10.42% and recognized an impairment loss of $357,000 with respect to other intangible assets.

14. Intangible Assets and Goodwill (continued)

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

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

As at December 31, 2012 the aggregate carrying amount of goodwill is $2,136,000 (2011 - $2,136,000), allocated entirely to the Camp and Catering CGU.

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

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. Unless indicated otherwise, value in use in 2012 was determined similarly as in 2011. The calculation of the value in use was based on the following key assumptions:

- Forecasts use current contracts and market conditions to project revenue. Costs are calculated using historical gross margins and additional known or pending factors.
- The projections were extrapolated over the remaining useful life of the primary assets of 15 years and discounted at a rate of 11.80% (2011 - 10.42%). The discount rate was estimated based on past experience, and industry average unlevered beta, which was based on a possible range of debt leveraging of 9% at a market interest rate of 4%.
- No growth rate was applied, as the amount from the value-in-use exceeded carrying value.

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

15. Investments in equity accounted investees and joint ventures

Significant equity investments include Mackenzie Valley Logistics Inc. ("Mackenzie Valley") and Mackenzie Delta Integrated Oilfield Services Ltd. ("MDIOS"). The Corporation also participated in Arctic Oil & Gas Services Inc. ("AOGS"), a joint venture which is proportionally consolidated.

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

(000's)	Total Assets	Total Liabilities	Revenue	Profit or (Loss)
Mackenzie Valley (49% equity investee)	$ 1,019	146	350	$ (183)
MDIOS (39% equity investee)	281	70	6,326	-
AOGS (50% joint venture)	410	1,966	580	(2,657)
December 31, 2011	$ 1,710	2,182	7,256	$ (2,840)

(000's)	Total Assets	Total Liabilities	Revenue	Profit or (Loss)
Mackenzie Valley (49% equity investee)	$ -	-	308	$ -
MDIOS (39% equity investee)	-	-	879	-
AOGS (50% joint venture)	364	2,404	369	(483)
December 31, 2012	$ 364	2,404	1,556	$ (483)

During the year ended December 31, 2012, the Corporation discontinued its involvement in Mackenzie Valley and MDIOS and received a payout for its pro-rata share of the net assets. The Corporation subsequently sold its shares for proceeds equal to the net book value.

16. Other Assets

The Corporation's other assets consists of a 25 year prepaid lease for a building and land to accommodate a portion of the Corporation's manufacturing operations in Kamloops, British Columbia. The amount expensed during the year ended December 31, 2012 related to the prepaid lease was $127,000 (2011 - $123,000) with 22 years remaining.

17. Loans and Borrowings

(000's)	December 31 2012	December 31 2011
Committed credit facility	$ 108,247	$ 49,524
Notes payable	6,304	6,987
Vehicle and equipment financing	$ 3,737	$ 4
	$ 118,288	$ 56,515
Less current portion	(1,416)	(1,281)
	$ 116,872	$ 55,234

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

On October 26, 2012, the Corporation increased its existing committed credit facility from $120,000,000 to $150,000,000. The committed credit facility was also renewed for a term of 3 years, extendable annually at the Corporation's request and subject to lender approval. In addition, a $35,000,000 accordion feature is available upon request by the Corporation, subject to review and approval by the lenders. The committed credit facility is secured by a $300,000,000 first fixed and floating charge debenture over all assets of the Corporation and its wholly owned subsidiaries. Interest is payable at the bank prime rate plus 0.625%. Amounts borrowed under the facility become due on October 26, 2015, the maturity date of the facility.

As at December 31, 2012, the Corporation was in compliance with all financial and non-financial covenants. The calculations of the Corporation's financial covenants for its committed credit facility are shown below:

Debt Covenants	December 31, 2012
Debt (1) to EBITDAS (2)(3) – must be less than 2.0:1	0.79:1
Interest coverage(4) – must be greater than 3.0:1	49.7:1

(1) Debt is calculated as the sum of current and long-term portions of loans and borrowings, excluding vehicle and equipment financing.
(2) EBITDAS (Earnings before finance costs, taxes, depreciation, amortization, gain/loss on disposal of property, plant and equipment, and share based compensation) is not a recognized measure under IFRS. Horizon's method of calculating EBITDAS may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities.
(3) Debt to EBITDAS is calculated as the ratio of Debt to trailing 12 months EBITDAS.
(4) Interest coverage is calculated as the ratio of trailing 12 months EBITDAS to 12 months trailing interest expense on loans and borrowings.

Notes Payable

Horizon incurred $10,850,000 of notes payable during 2009 as part of the purchase price for drill camp equipment and generators. The notes payable are non-interest bearing and are repayable over a term of up to 6 years. Actual payments on the note are dependent on utilization levels of specific equipment with minimum repayments of at least $1,000,000 per year. The fair value of these notes was initially measured at $8,771,000 using a discount rate of 9% which was consistent with market rates for debt with similar characteristics at the time. At December 31, 2012 these notes were recorded at an amortized cost amount of $6,304,000.

17. Loans and Borrowings (continued)

Principal Repayments

(000's)		Amount
2013	$	1,416
2014		1,543
2015		115,329
2016		-
2017 and beyond		-
	$	118,288

18. Asset retirement obligations and commitments

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

(000's)		December 31, 2012		December 31, 2011
Balance, beginning of period	$	1,283	$	1,223
Revisions		15		-
Accretion		66		60
Balance, end of period	$	1,364	$	1,283

The estimated present value of rehabilitating the sites at the end of their useful lives has been estimated using existing technology, at current prices, and discounted using a risk free rate. The future value amount at December 31, 2012 was $2,734,000 (2011 - $2,734,000). The timing of these payments is dependent on various factors, such as the estimated lives of the equipment and industry activity in the region, but is anticipated to occur near 2029 and 2032.

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

Maturity date		Amount *(000's)*
January 16, 2013	$	25
February 1, 2013		50
June 1, 2013		150
July 2, 2013		84
November 2, 2013		74
November 12, 2013		564
March 31, 2014		72

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

(000's)		Amount
2013	$	2,444
2014		2,264
2015		1,823
2016		1,769
2017 and beyond		3,723
	$	12,023

19. Deferred tax assets and liabilities

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

(000's)	December 31, 2012	December 31, 2011
Deductible (Taxable) temporary differences	$ 52	$ 51
Tax losses	345	279
Balance, end of period	$ 397	$ 330

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

(b) The Corporation has net operating losses for Canadian and United States tax purposes of $5,350,000 available to reduce future taxable income in Canada and the United States, which will expire as follows:

(000's)	Amount
2013	$ -
2014	-
2015	-
2016	-
2017 and beyond	5,350
	$ 5,350

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

	Assets		Liabilities		Net	
(000's)	2012	2011	2012	2011	2012	2011
Property, plant and equipment	$ 938	$ 1,163	$ (26,910)	$ (18,225)	$ (25,972)	$ (17,062)
Intangibles	1,873	1,515	(946)	(2,178)	927	(663)
Goodwill	2,614	3,023	(124)	(151)	2,490	2,872
Deferred partnership income	-	-	(7,328)	(7,753)	(7,329)	(7,753)
Loss carry forwards	1,465	893	-	-	1,465	893
Share issue costs	-	94	-	-	-	94
Reserves	873	-	-	-	873	-
Deferred tax asset					1,772	1,837
Deferred tax liability					(29,318)	(23,456)
					$ (27,546)	$ (21,619)

19. Deferred tax assets and liabilities (continued)

Movements in temporary differences during the year are as follows:

(000's)	December 31, 2011	Recognized in profit and loss	December 31, 2012
Property, plant and equipment	$ (17,062)	$ (8,910)	$ (25,972)
Intangibles	(663)	1,590	927
Goodwill	2,872	(382)	2,490
Deferred partnership income	(7,753)	424	(7,329)
Loss carry forwards	893	572	1,465
Share issue costs	94	(94)	-
Reserves	-	873	873
	$ (21,619)	$ (5,927)	$ (27,546)

20. Share Capital

(a) Authorized

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

(b) Issued

	Number	Amount *(000's)*
Balance at December 31, 2010	105,214,992	$ 245,353
Reduction of capital	-	(78,000)
Share options exercised	1,536,659	6,085
Balance at December 31, 2011	106,751,651	173,438
Share options exercised	1,957,624	6,561
Balance at December 31, 2012	108,709,275	$ 179,999

At the May 5, 2011 Annual and Special Meeting of Shareholders, a reduction of capital was approved by way of a special resolution, which eliminated the deficit of $78,000,000 as at January 1, 2011 and reduced share capital. Elimination of the deficit simplified the Corporation's statement of financial position and provides a more representative view of the actual accumulated operating results, as the majority of the deficit had been attributable to the write-down of goodwill in the year ended December 31, 2008.

20. Share Capital (continued)

(c) Share option plan

The Corporation has a share option plan for its directors, officers, and key employees whereby options may be granted, to a maximum of 10% of the issued and outstanding common shares, subject to terms and conditions. Share option vesting privileges are at the discretion of the Board of Directors and were set at three years. The Corporation uses graded vesting for share options over the period in which the option vests. All share options are equity settled with a weighted average remaining contractual life of 3.4 years and all options granted have a maximum term of 5 years with the exception of options granted on July 25, 2006 which have a maximum term of 10 years.

	Year ended December 31, 2012		Year ended December 31, 2011	
	Outstanding options	Weighted average exercise price	Outstanding options	Weighted average exercise price
Balance, beginning of year	4,216,007	$ 2.27	5,971,000	$ 2.42
Granted	2,750,700	6.25	60,000	4.50
Forfeited	(94,252)	3.73	(278,334)	2.38
Exercised	(1,957,624)	2.44	(1,536,659)	2.90
Balance, end of year	4,914,831	$ 4.40	4,216,007	$ 2.27

	Year ended December 31, 2012		Year ended December 31, 2011	
	Exercisable options	Weighted average exercise price	Exercisable options	Weighted average exercise price
Balance, beginning of year	3,208,815	$ 2.47	3,939,977	$ 2.88
Vested	858,187	1.49	937,830	1.55
Expired	(12,666)	2.27	(132,333)	2.96
Exercised	(1,957,624)	2.44	(1,536,659)	2.90
Balance, end of year	2,096,712	$ 2.10	3,208,815	$ 2.47

The exercise prices for options outstanding at December 31, 2012 are as follows:

	Total options outstanding			Exercisable options	
Exercise price per share	Number	Weighted average exercise price per share	Weighted average remaining contractual life in years	Number	Weighted average exercise price per share
$1.36 to $1.49	1,246,713	$ 1.37	2.0	1,246,713	$ 1.37
$1.50 to $3.95	916,668	3.06	3.0	839,999	3.15
$3.96 to $6.20	221,500	5.12	4.1	10,000	4.50
$6.21 to $6.56	2,394,950	6.25	4.2	-	-
$6.57 to $8.21	135,000	7.49	4.8	-	-
	4,914,831	$ 4.40	3.4	2,096,712	$ 2.10

The weighted average share price at the date of exercise for share options exercised during the year ended December 31, 2012 was $6.08/share (2011 - $4.60/share)

20. Share Capital (continued)

(c) Share option plan

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

(000's)	December 31, 2012	December 31,2011
Weighted average fair value per option	$ 2.15	$ 1.73
Weighted average forfeiture rate	6.98%	6.94%
Weighted average grant price	$ 6.25	$ 4.50
Weighted average expected life	3.20 years	3.00 years
Weighted average risk free interest rate	1.33%	1.52%
Weighted average dividend yield rate	3.21%	3.55%
Weighted average volatility	58.9%	68.6%

Expected volatility is estimated by considering historic average share price volatility. For the twelve months ended December 31, 2012, share based compensation for share options included in net earnings amounted to $2,151,000 (2011 - $598,000).

21. Earnings Per Share

The calculation of basic earnings per share for the twelve months ended December 31, 2012 was based on the total profit attributable to common shareholders of $72,883,000 (2011 - $44,822,000).

A summary of the common shares used in calculating earnings per share for the twelve months ended December 31, 2012 and 2011 is as follows:

	2012	2011
Number of common shares, beginning of period	106,751,651	105,214,992
Weighted average effect of share options exercised	1,326,037	786,969
Weighted average common shares outstanding – basic	108,077,688	106,001,961
Effect of share purchase options[(1)]	1,872,884	2,219,911
Weighted average common shares outstanding – diluted	109,950,572	108,221,872

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

For the twelve months ended December 31, 2012, 2,597,450 share options (2011 - nil) were excluded from the calculation of weighted average common shares outstanding - diluted as the result would be anti-dilutive.

22. Financial Risk Management

(a) Overview

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

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

(b) Credit risk

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

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

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

(000's)	December 31, 2012	December 31, 2011
Neither impaired nor past due	$ 44,337	$ 32,975
Impaired	495	156
Outstanding 31-60 days	38,313	18,319
Outstanding 61-90 days	16,800	10,821
Outstanding more than 90 days	13,126	5,519
Total	113,071	67,790
Allowance for doubtful accounts	(495)	(156)
Accrued revenue	19,439	14,946
Other receivables	1,180	904
Total trade and other receivables	$ 133,195	$ 83,484

In the twelve months ended December 31, 2012, the Corporation provided an allowance for $463,000 of receivables aged greater than 90 days and collected $25,000 that had previously been allowed for. The Corporation also applied $99,000 of allowance for doubtful accounts against the associated receivable balance. As at February 20, 2013, the Corporation has collected $8,833,000 on amounts outstanding more than 90 days.

(c) Liquidity risk

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

23. Financial Risk Management (continued)

(c) Liquidity risk (continued)

To manage liquidity risk, the Corporation forecasts operational results and capital spending on a regular basis. Actual results are compared to these forecasts to monitor the Corporation's ability to continue to meet spending forecasts. On October 26, 2012, the Corporation secured an $150,000,000 three year committed credit facility, extendable annually at the Corporations request and subject to lender approval and including a $35,000,000 accordion feature available upon request by the Corporation and subject to review and approval by the lenders, secured by a $300,000,000 first fixed and floating charge debenture over all assets of the Corporation and its wholly owned subsidiaries. Interest is payable at the bank prime rate plus 0.625%, or 3.625% at December 31, 2012.

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

	December 31, 2012			December 31, 2011		
	Trade and other payables(1)	Loans and borrowings(2)	Total	Trade and other payables(1)	Loans and borrowings(2)	Total
Year 1	$ 72,172	$ 1,416	$ 73,588	$ 46,213	$ 1,281	$ 47,494
Year 2	-	1,543	1,543	-	1,000	1,000
Year 3	-	115,329	115,329	-	50,523	50,523
Year 4	-	-	-	-	3,711	3,711
Year 5 and beyond	1,364	-	1,364	1,283	-	1,283
	$ 73,536	$ 118,288	$ 191,824	$ 47,496	$ 56,515	$ 104,011

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

(2) Loans and borrowings include non-interest bearing notes payable, vehicle and equipment financing and committed credit facility. Cash flows of Horizon's note payable have been recorded according to estimated utilization of specific equipment.

(d) Market risk

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

(i) Foreign currency exchange risk

The Corporation has limited exposure to foreign currency exchange risk as sales and purchases are typically denominated in CAD. The Corporation's exposure to foreign currency exchange risk arises from the purchase of some raw materials, which are denominated in USD, and foreign operations with USD functional currency.

As the foreign currency exchange risks are primarily based on the realized foreign exchange, the following sensitivity analysis is to determine the impact on cash used in operating activities. The effect of a $0.01 increase in the USD/CAD exchange rate would decrease cash used in operating activities for the twelve months ended December 31, 2012 by approximately $261,000 (December 31, 2011 - $258,000). This assumes that the quantity of USD raw material purchases and the foreign operations in the quarter remain unchanged and that the change in the USD/CAD exchange rate is effective from the beginning of the year.

(ii) Interest rate risk

The Corporation is exposed to interest rate risk as changes in interest rates may affect interest expense and future cash flows. The primary exposure is related to the Corporation's revolving credit facility which bears interest at a rate of prime plus 0.625%. If prime were to have increased by 1.00%, it is estimated that the Corporation's net earnings would have decreased by approximately $841,000 for the twelve months ended December 31, 2012 (December 31, 2011 - $393,000). This assumes that the amount and mix of fixed and floating rate debt in the year remains unchanged and that the change in interest rates is effective from the beginning of the year.

24. Capital Management

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

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

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

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

The Corporation's strategy during the twelve months ended December 31, 2012, which was unchanged from 2011, which was to maintain an appropriate level of loans and borrowings in comparison to EBITDAS(1) and total loans and borrowings plus shareholders' equity.

(000's)	December 31, 2012	December 31, 2011
Statement of financial position components of ratios		
Current loans and borrowings(2)	$ 1,416	$ 1,281
Loans and borrowings(2)	116,872	55,234
Total loans and borrowings	118,288	56,515
Shareholders' equity	274,263	216,069
Total loans and borrowings plus shareholders' equity	$ 392,551	$ 272,584
Statement of comprehensive income components of ratios (trailing 12 months)		
Operating earnings	$ 102,758	$ 62,723
Depreciation	32,007	21,420
Amortization	8,204	8,303
Impairment loss	-	8,071
(Gain) Loss on disposal of property, plant and equipment	(93)	1,521
Share based compensation	2,151	598
EBITDAS(1)	$ 145,027	$ 102,636
Total loans and borrowings to EBITDAS(1)	0.82	0.55
Total loans and borrowings to total loans and borrowings plus shareholders' equity	0.30	0.21

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

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

25. Operating segments

The Corporation operates in Canada and the US through two business segments: Camps & Catering and Matting. For the year ended December 31, 2012 and 2011, the Chief Operating Decision Maker revised the Camps and Catering segment to include the Marine CGU to better reflect the nature of the barge camp rental business. The Camps & Catering segment includes camp rental and catering services, marine operations as well as the manufacture, sale, and repair of camps. Matting includes mat rental, installation, and fleet management services, as well as the manufacture and sale of mats.

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

Twelve months ended December 31, 2012 *(000's)*	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	$ 447,190	$ 91,466	$ -	$ (12,040)	$ 526,616
EBITDAS[(1)]	134,229	22,626	(11,157)	(671)	145,027
Depreciation and amortization	31,713	8,179	482	(163)	40,211
Impairment loss	-	-	-	-	-
Loss (gain) on disposal of assets	28	(108)	(13)	-	(93)
Share based compensation	1,096	172	883	-	2,151
Operating earnings (loss)	101,392	14,383	(12,509)	(508)	102,758
Total assets	449,676	43,352	2,965	-	495,993
Capital expenditures	124,674	14,383	1,060	(771)	139,346

Twelve months ended December 31, 2011 *(000's)*[(2)]	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	$ 343,996	$ 68,385	$ -	$ (9,388)	$ 402,993
EBITDAS[(1)]	93,503	17,918	(8,971)	186	102,636
Depreciation and amortization	22,954	6,508	345	(84)	29,723
Impairment loss	8,071	-	-	-	8,071
Loss on disposal of assets	1,426	95	-	-	1,521
Share based compensation	328	49	221	-	598
Operating earnings (loss)	60,724	11,266	(9,537)	270	62,723
Total assets	319,003	35,632	2,503	(1)	357,137
Capital expenditures	91,869	8,966	680	(481)	101,034

The Corporation has two major customer in the Camps & Catering segment which generated a combined 37% of total revenues for the year ended December 31, 2012 (December 31, 2011 – 42%)

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

(2) Comparative period information was revised to align with current year reportable segments.

26. Related Parties

(000's)	December 31, 2012	December 31, 2011
Equity accounted investees		
Purchases	$ 2	$ -
Sales	1,211	257
Recovery of administrative overhead	-	-
Included in accounts receivable	164	-
Joint venture		
Purchases	$ -	$ -
Sales	8	132
Recovery of administrative overhead	30	23
Included in accounts receivable	-	-
Key management personnel interests		
Purchases	$ (17)	$ 30
Sales	1,261	783
Included in accounts receivable	271	30
Included in accounts payable	-	-

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

Key management personnel compensation for the year ended December 31, 2012 and 2011 is comprised as follows:

(000's)	December 31, 2012	December 31, 2011
Short-term employee benefits	$ 3,050	$ 2,839
Post-employment benefits	32	26
Termination benefits	-	-
Other long-term benefits	-	-
Share based compensation	981	224

27. Supplemental Information

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

(000's)	December 31, 2012	December 31, 2011
Accounts receivable	$ (49,711)	$ (31,481)
Inventory	2,013	(1,608)
Prepaid expenses	1,475	4,972
Accounts payable and accrued liabilities	17,678	16,401
Deferred revenue	(13,013)	6,395
Finance cost payable	(14)	(47)
	$ (41,572)	$ (5,368)

27. Supplemental Information (continued)

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

(000's)	December 31, 2012	December 31, 2011
Dividends payable included in AP	$ (1,169)	$ (4,215)
	$ (1,169)	$ (4,215)

28. Significant Subsidiaries

The Corporation operates through two significant subsidiaries based on business line

		Ownership Interest (%)	
Subsidiary Name	Country of Incorporation	December 31, 2012	December 31, 2011
Horizon North Camp & Catering Partnership	Canada	100	100
Swamp Mats Inc.	Canada	100	100