

Condensed Consolidated Interim Financial Statements of



HORIZON NORTH
Logistics Inc

Three months ended March 31, 2014 and 2013 (Unaudited)



Condensed consolidated statement of financial position (Unaudited)

<i>(000's)</i>	March 31, 2014	December 31, 2013
Assets		
Current assets:		
Trade and other receivables	\$ 119,077	\$ 90,856
Inventories	10,272	15,638
Prepayments	2,176	3,000
Income taxes receivable	2,410	4,114
	133,935	113,608
Non-current assets:		
Property, plant and equipment (Note 4)	361,588	349,252
Intangible assets	2,149	2,968
Goodwill	1,664	1,664
Deferred tax assets	1,054	1,067
Other assets	2,524	2,556
	368,979	357,507
	\$ 502,914	\$ 471,115
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables	\$ 54,790	\$ 56,677
Deferred revenue	3,054	3,447
Income taxes payable	674	284
Current portion of loans and borrowings (Note 5)	1,524	1,496
	60,042	61,904
Non-current liabilities:		
Asset retirement obligations	5,713	5,656
Loans and borrowings (Note 5)	111,225	78,256
Deferred tax liabilities	31,441	30,872
	208,421	176,688
Shareholders' equity:		
Share capital (Note 7)	184,449	183,851
Contributed surplus	12,204	11,836
Accumulated other comprehensive income	593	394
Retained earnings	97,247	98,346
	294,493	294,427
	\$ 502,914	\$ 471,115

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



Condensed consolidated statement of comprehensive income (Unaudited)
Three months ended March 31, 2014 and 2013

<i>(000's, except per share amounts)</i>	Three months ended March 31	
	2014	2013
Revenue	\$ 122,211	\$ 139,959
Operating expenses:		
Direct costs	93,231	98,514
Depreciation	12,387	10,844
Share based compensation (Note 7)	297	409
Gain on disposal of property, plant and equipment	(1,595)	(157)
Direct operating expenses	104,320	109,610
Gross profit	17,891	30,349
Selling & administrative expenses:		
Selling & administrative expenses	5,430	4,812
Amortization of intangible assets	819	2,051
Share based compensation (Note 7)	212	277
Selling & administrative expenses	6,461	7,140
Operating earnings	11,430	23,209
Finance costs	1,000	1,115
Profit before tax	10,430	22,094
Current tax expense	2,130	4,839
Deferred tax expense	582	746
Income tax expense (Note 6)	2,712	5,585
Total profit	7,718	16,509
Other comprehensive income:		
Translation of foreign operations	(199)	125
Other comprehensive (income) loss, net of income tax	(199)	125
Total comprehensive income	\$ 7,917	\$ 16,384
Earnings per share:		
Basic (Note 8)	\$ 0.07	\$ 0.15
Diluted (Note 8)	\$ 0.07	\$ 0.15

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



HORIZON NORTH
Logistics Inc

Condensed consolidated statement of changes in equity (Unaudited)

<i>(000's)</i>	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance at December 31, 2012	\$ 179,999	\$ 10,783	\$ 208	\$ 83,273	\$ 274,263
Total profit	-	-	-	16,509	16,509
Share based compensation	-	686	-	-	686
Share options exercised	451	(158)	-	-	293
Translation of foreign operations	-	-	(125)	-	(125)
Dividends declared and paid (\$0.0625 per share)	-	-	-	(6,807)	(6,807)
Balance at March 31, 2013	\$ 180,450	\$ 11,311	\$ 83	\$ 92,975	\$ 284,819
Total profit	-	-	-	25,942	25,942
Share based compensation	-	1,522	-	-	1,522
Share options exercised	3,401	(997)	-	-	2,404
Translation of foreign operations	-	-	311	-	311
Dividends declared and paid (\$0.125 per share)	-	-	-	(13,691)	(13,691)
Dividends declared (\$0.0625 per share)	-	-	-	(6,880)	(6,880)
Balance at December 31, 2013	\$ 183,851	\$ 11,836	\$ 394	\$ 98,346	\$ 294,427
Total profit	-	-	-	7,718	7,718
Share based compensation (Note 7)	-	509	-	-	509
Share options exercised (Note 7)	598	(141)	-	-	457
Translation of foreign operations	-	-	199	-	199
Dividends declared (\$0.08 per share)	-	-	-	(8,817)	(8,817)
Balance at March 31, 2014	\$ 184,449	\$ 12,204	\$ 593	\$ 97,247	\$ 294,493

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

Condensed consolidated statement of cash flows (Unaudited)
Three months ended March 31, 2014 and 2013



<i>(000's)</i>	March 31, 2014	March 31, 2013
Cash provided by (used in):		
Operating activities:		
Profit for the period	\$ 7,718	\$ 16,509
Adjustments for:		
Depreciation	12,387	10,844
Amortization of intangible assets	819	2,051
Share based compensation (Note 7)	509	686
Amortization of other assets	32	33
Gain on sale of property, plant and equipment	(2,306)	(902)
Unrealized foreign exchange	133	(75)
Finance costs	1,000	1,115
Income tax expense (Note 6)	2,712	5,585
	23,004	35,846
Income taxes paid	(36)	(17,170)
Interest paid	(902)	(925)
Changes in non-cash working capital items	(26,247)	(11,676)
	(4,181)	6,075
Investing activities:		
Purchase of property, plant and equipment (Note 4)	(27,878)	(21,252)
Proceeds on sale of property, plant and equipment	5,527	1,573
	(22,351)	(19,679)
Financing activities:		
Shares issued (Note 7)	457	293
Proceeds from loans and borrowings	32,955	18,750
Payment of dividends	(6,880)	(5,439)
	26,532	13,604
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 domiciled in Canada and is a publicly-traded company, listed on the Toronto Stock Exchange under the symbol HNL. The condensed consolidated interim financial statements of the Corporation as at and for the three months ended March 31, 2014 comprise the Corporation and its subsidiaries and the Corporation’s interest in associates and jointly controlled entities. Horizon provides camp & catering services and ground matting services to oil and gas exploration and production companies, oilfield service companies and mining companies working on oil sands, mineral exploration and development, and conventional oil and gas projects primarily in western Canada.

2. Basis of Presentation

(a) Statement of compliance

These financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies the Corporation adopted in its consolidated financial statements for the year ending December 31, 2013. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. These financial statements were approved by the board of directors of Horizon on April 29, 2014.

(b) 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 estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Corporation’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2013.

3. Significant Accounting Policies and Determination of Fair Values

The accounting policies and determination of fair values were set out in Note 3 and 4 of the Corporation’s annual consolidated financial statements for the year ended December 31, 2013 and have been applied consistently to all periods presented in these condensed consolidated interim financial statements, except the changes disclosed in the December 31, 2013 annual consolidated financial statements. As at January 1, 2014, the Company adopted the amendment to IAS 32- Financial Instruments: Presentation, as well as the interpretation of IFRIC 21 – Levies. The adoption of these standards did not have a material impact on the amounts recorded in the financial statements as at March 31, 2014.

As a result, these financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2013.

Notes to the condensed consolidated interim financial statements (Unaudited)
Three months ended March 31, 2014 and 2013



4. Property, Plant and Equipment

Cost	Balance			Impact of	Balance
(000's)	December 31			Foreign	March 31
	2013	Additions	Disposals	Translation	2014
Camp facilities, setup & installation	\$ 380,718	\$ 21,430	\$ (2,827)	\$ 77	\$ 399,398
Marine equipment	12,811	-	-	-	12,811
Land & Buildings	31,066	-	(217)	-	30,849
Automotive & trucking equipment	37,833	6,354	(392)	-	43,795
Mats	10,125	2,163	(1,221)	-	11,067
Furniture, fixtures & other equipment	6,849	1	-	-	6,850
Asset retirement obligations	5,316	-	-	-	5,316
Assets under construction	12,690	(2,070)	-	-	10,620
	\$ 497,408	\$ 27,878	\$ (4,657)	\$ 77	\$ 520,706

Accumulated Depreciation	Balance			Impact of	Balance
(000's)	December 31			Foreign	March 31
	2013	Depreciation	Disposals	Translation	2014
Camp facilities, setup & installation	\$ 96,672	\$ 9,326	\$ (369)	\$ 11	\$ 105,640
Marine equipment	12,070	16	-	-	12,086
Land & Buildings	8,538	405	(16)	-	8,927
Automotive & trucking equipment	20,359	1,194	(344)	-	21,209
Mats	6,593	829	(707)	-	6,715
Furniture, fixtures & other equipment	3,557	269	-	-	3,826
Asset retirement obligations	367	348	-	-	715
Assets under construction	-	-	-	-	-
	\$ 148,156	\$ 12,387	\$ (1,436)	\$ 11	\$ 159,118

Carrying Amounts	Balance	Balance
(000's)	December 31	March 31
	2013	2014
Camp facilities, setup & installation	\$ 284,046	\$ 293,758
Marine equipment	741	725
Land & Buildings	22,528	21,922
Automotive & trucking equipment	17,474	22,586
Mats	3,532	4,352
Furniture, fixtures & other equipment	3,292	3,024
Asset retirement obligations	4,949	4,601
Assets under construction	12,690	10,620
	\$ 349,252	\$ 361,588

Notes to the condensed consolidated interim financial statements (Unaudited)
Three months ended March 31, 2014 and 2013



4. Property, Plant and Equipment (continued)

Cost	Balance			Impact of	Balance
(000's)	December 31			Foreign	March 31
	2012	Additions	Disposals	Translation	2013
Camp facilities, setup & installation	\$ 343,032	\$ 17,037	\$ (448)	\$ (54)	\$ 359,567
Marine equipment	18,830	-	-	-	18,830
Land & Buildings	31,638	618	-	-	32,256
Automotive & trucking equipment	32,162	2,936	(417)	-	34,681
Mats	8,703	725	(802)	-	8,626
Furniture, fixtures & other equipment	5,722	164	-	-	5,886
Asset retirement obligations	1,087	-	-	-	1,087
Assets under construction	3,208	(228)	-	-	2,980
	\$ 444,382	\$ 21,252	\$ (1,667)	\$ (54)	\$ 463,913

Accumulated Depreciation	Balance			Impact of	Balance
(000's)	December 31			Foreign	March 31
	2012	Depreciation	Disposals	Translation	2013
Camp facilities, setup & installation	\$ 65,929	\$ 8,366	\$ (176)	\$ (4)	\$ 74,115
Marine equipment	15,682	68	-	-	15,750
Land & Buildings	7,287	380	-	-	7,667
Automotive & trucking equipment	17,137	1,102	(336)	-	17,903
Mats	4,962	689	(484)	-	5,167
Furniture, fixtures & other equipment	2,863	227	-	-	3,090
Asset retirement obligations	317	12	-	-	329
Assets under construction	-	-	-	-	-
	\$ 114,177	\$ 10,844	\$ (996)	\$ (4)	\$ 124,021

Carrying Amounts	Balance	Balance
(000's)	December 31	March 31
	2012	2013
Camp facilities, setup & installation	\$ 277,103	\$ 285,452
Marine equipment	3,148	3,080
Land & Buildings	24,351	24,589
Automotive & trucking equipment	15,025	16,778
Mats	3,741	3,459
Furniture, fixtures & other equipment	2,859	2,796
Asset retirement obligations	770	758
Assets under construction	3,208	2,980
	\$ 330,205	\$ 339,892

**Notes to the condensed consolidated interim financial statements (Unaudited)
Three months ended March 31, 2014 and 2013**



5. Loans and Borrowings

<i>(000's)</i>	March 31, 2014	December 31, 2013
Committed credit facility	\$ 103,825	\$ 70,756
Notes payable	5,697	5,655
Vehicle and equipment financing	3,227	\$ 3,341
	112,749	\$ 79,752
Less current portion	(1,524)	(1,496)
	\$ 111,225	\$ 78,256

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

On November 6, 2013, the Corporation's current credit facility of \$150,000,000 was renewed for a term of 3 years. The credit facility is extendable annually at the Corporation's request and subject to lender approval. 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, 2016, the maturity date of the facility. As at March 31, 2014, the Corporation was in compliance with all financial and non-financial covenants.

6. 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:

<i>(000's)</i>	Three months ended March 31,	
	2014	2013
Profit before tax	\$ 10,430	\$ 22,094
Combined federal and provincial income tax rate	25%	25%
Expected income tax provision	2,608	5,524
Non-deductible share based compensation	127	172
Change in estimated timing of realization of temporary differences	16	12
Differences in jurisdictional tax rates	181	70
Non-taxable portion of capital gain	(205)	-
Other	(15)	(193)
	\$ 2,712	\$ 5,585

7. Share Capital

(a) Authorized

Unlimited number of voting common shares without nominal or par value.

Unlimited number of preferred shares issuable in series.

(b) Issued

	Number	Amount (000's)
Balance at December 31, 2012	108,709,275	\$ 179,999
Share options exercised	1,375,609	3,852
Balance at December 31, 2013	110,084,884	\$ 183,851
Share options exercised	130,214	598
Balance at March 31, 2014	110,215,098	\$ 184,449

(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 certain 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 2.9 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.

	Three months ended March 31, 2014		Year ended December 31, 2013	
	Outstanding options	Weighted average exercise price	Outstanding options	Weighted average exercise price
Balance, beginning of period	3,711,955	\$ 5.46	4,914,831	\$ 4.40
Granted	12,000	8.28	321,400	6.77
Forfeited	(64,134)	6.12	(148,667)	5.59
Exercised	(130,214)	3.51	(1,375,609)	1.96
Balance, end of period	3,529,607	\$ 5.53	3,711,955	\$ 5.46

**Notes to the condensed consolidated interim financial statements (Unaudited)
Three months ended March 31, 2014 and 2013**



7. Share Capital (continued)

(c) Stock option plan (continued)

	Three months ended March 31, 2014		Year ended December 31, 2013	
	Exercisable options	Weighted average exercise price	Exercisable options	Weighted average exercise price
Balance, beginning of period	1,395,876	\$ 4.06	2,096,712	\$ 2.10
Vested	52,167	5.27	681,773	5.87
Forfeited	-	-	(7,000)	6.25
Exercised	(130,214)	3.51	(1,375,609)	1.96
Balance, end of period	1,317,829	\$ 4.16	1,395,876	\$ 4.06

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

Exercise price per share	Total options outstanding			Exercisable options	
	Number	Weighted average exercise price per share	Weighted average remaining contractual life in years	Number	Weighted average exercise price per share
\$1.36 to \$3.93	793,334	\$ 2.87	1.9	793,334	\$ 2.87
\$3.94 to \$6.20	230,167	5.32	3.0	105,499	5.17
\$6.21 to \$6.27	2,145,706	6.25	3.0	386,497	6.25
\$6.28 to \$6.84	190,000	6.72	4.2	2,500	6.29
\$6.85 to \$9.01	170,500	7.86	3.9	29,999	7.80
	3,529,607	\$ 5.53	2.9	1,317,829	\$ 4.16

For the three months ended March 31, 2014, share based compensation for stock options included in net earnings amounted to \$509,000 (March 31, 2013 - \$686,000).

8. Earnings Per Share

The calculation of basic earnings per share for the three months ended March 31, 2014 was based on the total profit attributable to common shareholders of \$7,718,000 (March 31, 2013 - \$16,509,000).

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

	Three months ended March 31	
	2014	2013
Number of common shares, beginning of period	110,084,884	108,709,275
Weighted average effect of stock options exercised	85,427	134,599
Weighted average common shares outstanding – basic	110,170,311	108,843,874
Effect of share purchase options ⁽¹⁾	929,096	1,334,346
Weighted average common shares outstanding – diluted	111,099,407	110,178,220

(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 three months ended March 31, 2014, 145,400 share options (March 31, 2013 - 2,967,950) were excluded from the calculation of weighted average common shares outstanding - diluted as the result would be anti-dilutive.

Notes to the condensed consolidated interim financial statements (Unaudited)
Three months ended March 31, 2014 and 2013



9. Operating segments

The Corporation operates in Canada and the US through two business segments: Camps & Catering and Matting. The Camps & Catering segment includes camp rental and catering services, marine operations as well as the manufacture, sale, and repair of camps. Matting includes mat rental, installation, and fleet management services, as well as the manufacture and sale of mats.

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

Three months ended March 31, 2014 (000's)	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	\$ 106,697	\$ 15,980	\$ -	\$ (466)	\$ 122,211
EBITDAS ⁽¹⁾	24,405	2,718	(3,573)	-	23,550
Depreciation and amortization	11,613	1,454	187	(48)	13,206
Loss (gain) on disposal of assets	(1,637)	42	-	-	(1,595)
Share based compensation	256	41	212	-	509
Operating earnings (loss)	14,173	1,181	(3,972)	48	11,430
Total assets	462,230	37,423	3,261	-	502,914
Capital expenditures	20,309	\$ 5,001	\$ 261	\$ 2,307	\$ 27,878

Three months ended March 31, 2013 (000's)	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	\$ 125,917	\$ 16,232	\$ -	\$ (2,190)	\$ 139,959
EBITDAS ⁽¹⁾	35,852	3,986	(3,182)	(23)	36,633
Depreciation and amortization	10,769	2,041	136	(51)	12,895
Loss on disposal of assets	(137)	(20)	-	-	(157)
Share based compensation	358	51	277	-	686
Operating earnings (loss)	24,862	1,914	(3,595)	28	23,209
Total assets	470,714	38,453	3,239	-	512,406
Capital expenditures	17,029	\$ 3,754	\$ 494	\$ (25)	\$ 21,252

(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.

10. Seasonality

Each of Horizon's businesses has slightly different seasonal aspects. Certain segments of the Camps & Catering division are exposed to the seasonality of the western Canadian oil and natural gas drilling industry, where the busiest months are January through March and the slowest months are April through September. However, seasonality has been significantly reduced due to increased exposure in the oil sands and mining sectors, which operate year round. The Matting segment is busiest in the spring and summer months of April through September when soft ground conditions hinder the movement of heavy equipment.