



HORIZON NORTH
Logistics Inc

FIRST QUARTER REPORT 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") THREE MONTHS ENDED MARCH 31, 2009

This Management's Discussion and Analysis, prepared as at May 5, 2009, focuses on key statistics from the Interim Consolidated Financial Statements and pertains to known risks and uncertainties relating to the business carried on by Horizon North Logistics Inc. (the "Corporation" or "Horizon"). This Management's Discussion and Analysis should be read in conjunction with the audited consolidated financial statements dated December 31, 2008 and the unaudited interim consolidated financial statements dated March 31, 2009 and related notes and material therein. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions.

Highlights

<i>(000's except per share amounts)</i>	Three months ended March 31, 2009	Three months ended March 31, 2008	Increase / (decrease) \$	Increase / (decrease) %
Revenue	\$ 38,638	\$ 41,409	\$ (2,771)	(7%)
EBITDAS ⁽¹⁾	12,090	12,170	(80)	(1%)
Operating earnings ⁽¹⁾	5,110	6,758	(1,648)	(24%)
Net earnings	3,702	4,535	(833)	(18%)
Net earnings per share - diluted	\$ 0.03	\$ 0.04	\$ (0.01)	(25%)
Total assets	244,793	344,123	(99,330)	(29%)
Total long-term financial liabilities ⁽²⁾	44,789	41,475	3,314	8%
Funds from operations ⁽³⁾	11,072	9,857	1,215	12%
Capital spending	6,043	18,761	(12,718)	(68%)

(1) EBITDAS (Earnings before interest, taxes, depreciation, amortization, gain/loss on disposal of property, plant and equipment and stock based compensation) and operating earnings (loss) are not recognized measures under Canadian generally accepted accounting principles (GAAP). Management believes that in addition to net earnings, EBITDAS is a useful supplemental measure as it provides an indication of the Corporation's ability to generate cash flow in order to fund working capital, service debt, pay current income taxes and fund capital programs. Management believes that in addition to net earnings, operating earnings (loss) is a useful supplemental measure as it provides an indication of the results generated by the Corporation's principal business activities prior to consideration of how those activities are financed or taxed. Investors should be cautioned, however, that EBITDAS and operating earnings (loss) should not be construed as alternatives to net earnings determined in accordance with GAAP as an indicator of the Corporation's performance. Horizon's method of calculating EBITDAS and operating earnings (loss) may differ from other entities and accordingly, EBITDAS and operating earnings (loss) may not be comparable to measures used by other entities. For a reconciliation of EBITDAS and operating earnings (loss) to net earnings, please refer to page 2 of the Management's Discussion and Analysis.

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

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

Overview

Overall revenues for Horizon decreased \$2,771,000 to \$38,638,000 in the three months ended March 31, 2009. EBITDAS also decreased \$80,000 to \$12,090,000 in the three months ended March 31, 2009. Activity levels for the Camps & Catering segment decreased from the comparative period, but were offset by the added revenues of the BlackSand Executive Lodge, resulting in higher revenues and EBITDAS. The Matting and Marine segments experienced decreased equipment utilization and sales, resulting in lower revenues and EBITDAS.

Outlook

Horizon's businesses have certainly been negatively impacted by the world recession with its contracting economies, tight credit markets and low commodity prices. This situation will likely persist through 2009 and into 2010 before we see the beginnings of a recovery. The majority of Horizon's customers are in the natural resource extraction business and have thus seen large declines in their cash flow which have caused them to curtail operations, resulting in reduced demand for the services we offer.

Camps & Catering

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

	Three months ending March 31,		Increase /	Increase /
	2009	2008	(Decrease)	(Decrease)
(000's except rental days and mandays)			\$	%
Camps, catering and service revenue	\$ 26,930	\$ 18,787	\$ 8,143	43%
Camp sales revenue	3,341	6,197	(2,856)	(46%)
Space sales revenue	1,264	2,723	(1,459)	(54%)
Space rental revenue	642	1,100	(458)	(42%)
Total revenue	\$ 32,177	\$ 28,807	\$ 3,370	12%
EBITDAS	\$ 11,881	\$ 8,776	\$ 3,105	35%
Operating earnings	\$ 6,632	\$ 5,398	\$ 1,234	23%
Bed rental days ⁽¹⁾	133,315	148,775	(15,460)	(10%)
Catering mandays	111,893	122,188	(10,295)	(8%)

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

The Camps & Catering segment earned \$32,177,000 of revenue and generated \$11,881,000 of EBITDAS and \$6,632,000 operating earnings in the three months ended March 31, 2009 as compared to \$28,807,000 of revenue, \$8,776,000 of EBITDAS and \$5,398,000 of operating earnings in the three months ended March 31, 2008.

Camps, catering and service revenue increased \$8,143,000, or 43%, to \$26,930,000 in the three months ended March 31, 2009 as compared to \$18,787,000 in the three months ended March 31, 2008. This increase in revenue is a result of the higher rates earned at the BlackSand Executive Lodge near Fort McMurray, Alberta and counters the decrease in revenue associated with the decrease in bed rental days and catering mandays of 10% and 8% respectively.

Camp and space sales revenues decreased \$4,315,000, or 48%, to \$4,605,000 in the three months ended March 31, 2009 as compared to \$8,920,000 in the three months ended March 31, 2008. This decrease is a result of the decline in the economy as fewer companies are purchasing camps and space assets. Space rental revenue also declined \$458,000, or 42%, to \$642,000 in the three months ended March 31, 2009 as compared to \$1,100,000 in the three months ended March 31, 2008 as a result of the decline in economic activity.

EBITDAS in the three months ended March 31, 2009 increased \$3,105,000, or 35%, to \$11,881,000, or 37% of revenue, as compared to \$8,776,000, or 30% of revenue, in the three months ended March 31, 2008. This increase is attributable to the change in revenue mix as camps, catering, and service revenue has higher margins than camp and space sales revenue.

The \$1,234,000 increase in operating earnings is a result of the above, countered by an increase in depreciation and amortization of \$2,008,000 as a result of new BlackSand Executive Lodge.

Matting

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

	Three months ended March 31,		Decrease \$	Decrease %
	2009	2008		
(000's except rental days and mats)				
Mat rental revenue	\$ 905	\$ 1,926	\$ (1,021)	(53%)
Mat sales revenue	1,523	2,545	(1,022)	(40%)
Installation, transportation, service and other revenue	2,699	5,535	(2,836)	(51%)
Total revenue	\$ 5,127	\$ 10,006	\$ (4,879)	(49%)
EBITDAS	\$ 1,037	\$ 3,129	\$ (2,092)	(67%)
Operating (loss) earnings	\$ (598)	\$ 1,613	\$ (2,211)	(137%)
Mat rental days	305,638	620,605	(314,967)	(51%)
Average mats in rental fleet	13,437	17,189	(3,752)	(22%)
Mats sold	2,335	3,324	(989)	(30%)

The Matting segment earned revenues of \$5,127,000, EBITDAS of \$1,037,000 and an operating loss of \$598,000 in the three months ended March 31, 2009 as compared to \$10,006,000 of revenue, \$3,129,000 of EBITDAS and \$1,613,000 of operating earnings in the three months ended March 31, 2008.

Mat rental revenue has decreased \$1,021,000, or 53%, to \$905,000 in the three months ended March 31, 2009 as compared to \$1,926,000 in the three months ended March 31, 2008. This decrease is as a result of the decrease in activity levels which have occurred due to the decline in the economy, oil and natural gas prices and oilfield activity.

Mat sales revenue has decreased \$1,022,000, or 40%, to \$1,523,000 in the three months ended March 31, 2009 as compared to \$2,545,000 in the three months ended March 31, 2008. This decrease is as a result of the number of mats sold decreasing 30% and the average selling price decreasing approximately 15% due to a new, less expensive hybrid mat being sold in 2009 in addition to pricing competition due to a weaker economy.

Installation, transportation, service and other revenue decreased \$2,836,000, or 51%, to \$2,699,000 in the three months ended March 31, 2009 as compared to \$5,535,000 in the three months ended March 31, 2008. This decrease is consistent with the decrease in mat rental and mat sales.

The \$2,092,000 decrease in EBITDAS and \$2,211,000 decrease in operating earnings are a result of the above decreases in revenues and margins.

Marine Services

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

<i>(000's)</i>	Three months ending March 31,			
	2009	2008	Decrease \$	Decrease %
Barge revenue	\$ -	\$ 196	\$ (196)	(100%)
Barge camp revenue	1,282	2,575	(1,293)	(50%)
Rental and other revenue	473	608	(135)	(22%)
Total revenue	<u>\$ 1,755</u>	<u>\$ 3,379</u>	<u>\$ (1,624)</u>	<u>(48%)</u>
EBITDAS	\$ 891	\$ 2,150	\$ (1,259)	(59%)
Operating earnings	\$ 599	\$ 1,890	\$ (1,291)	(68%)

The Marine Services segment earned revenues of \$1,755,000, EBITDAS of \$891,000 and operating earnings of \$599,000 in the three months ended March 31, 2009 as compared to \$3,379,000 of revenue, \$2,150,000 of EBITDAS and \$1,890,000 of operating earnings in the three months ended March 31, 2008. The decrease in revenues was a result of not leasing out all of the barge camps in the three months ending March 31, 2009, while all equipment was utilized in the three months ending March 31, 2008. Also contributing to the decrease in utilization were some pricing constraints as a result of the recent economic downturn. Operating expenses in the three months ended March 31, 2009 were comparable to those in the three months ended March 31, 2008 as they are largely fixed during the winter months, therefore, the decrease in revenue also resulted in a similar decrease in EBITDAS and operating earnings.

Corporate

Corporate costs are the costs of the head office which include the Chief Executive Officer, President, Chief Financial Officer, Vice President of Safety, Corporate Secretary, Corporate Accounting staff, and associated costs of supporting a public company. The decrease in corporate costs to \$1,785,000 in the three months ended March 31, 2009 from \$1,819,000 in the three months ended March 31, 2008 is a result of cost reductions in 2009. Corporate costs during the last quarter of 2008 amounted to \$2,701,000, including a \$475,000 charge related to the departure of a senior executive.

Other Items

Interest on operating lines of credit and long-term debt

Interest on operating lines of credit and long-term debt increased to \$499,000 in the three months ended March 31, 2009 from \$454,000 in the three months ended March 31, 2008. The increase in interest expense is attributable to the increase in the average amount of debt held of \$45,994,000 in the three months ended March 31, 2009 as compared to \$32,431,000 in the three months ended March 31, 2008, offset by a reduction of the average interest rate from 5.7% to 4.3%.

Earnings on equity investments

The earnings on equity investments of Kitikmeot Caterers Ltd. ("Kitikmeot"), Sakku Caterers Limited ("Sakku"), Mackenzie Valley Logistics Inc. ("Mackenzie Valley"), and Mackenzie Delta Integrated Oilfield Services ("MDIOS") decreased to \$111,000 in the three months ended March 31, 2009 from \$264,000 in the three months ended March 31, 2008. Activity in the Northwest Territories has decreased in the three months ended March 31, 2009 as compared to the three months ended March 31, 2008, resulting in the decrease in earnings.

Income taxes

Income tax expense decreased to \$1,029,000, an effective tax rate of 21.8%, in the three months ended March 31, 2009 from \$2,037,000, an effective tax rate of 31.0%, in the three months ended March 31, 2008. The decrease in the effective tax rate is attributable to changes in the scheduling of the estimated realization of temporary differences.

Liquidity and Capital Resources

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

<i>(000's)</i>	March 2009	December 2008	Increase / (Decrease) \$
Current assets	\$ 49,992	\$ 49,951	\$ 41
Operating lines of credit	7,619	8,834	(1,215)
Current liabilities excluding borrowings ⁽¹⁾	15,175	18,177	(3,002)
Current portion of long-term debt	467	488	(21)
Current liabilities	23,261	27,499	(4,238)
Working capital ⁽²⁾	26,731	22,452	4,279
Bank borrowings			
Operating lines of credit	7,619	8,834	(1,215)
Senior secured revolving term facility	36,600	38,400	(1,800)
Total bank borrowings	44,219	47,234	(3,015)
Available bank lines ⁽³⁾	80,500	80,500	-
Borrowing capacity ⁽⁴⁾	36,281	33,266	3,015

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

(2) Calculated as current assets less current liabilities.

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

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

In the three months ended March 31, 2009, Horizon's working capital position increased \$4,279,000 and bank borrowings decreased \$3,015,000. Bank borrowings were reduced in the three months ending March 31, 2009 using the cash flow from operations which remained after funding capital additions.

During the three months ended March 31, 2009, the Corporation spent \$6,043,000 on capital asset additions. The majority of the capital additions were related to the expansion of the BlackSand Executive Lodge near Fort McMurray, Alberta. The Matting segment replenished some of the mats sold through the addition of 540 hybrid mats to its rental fleet. The remainder of the capital additions included vehicles, leasehold improvements, camp and catering supplies, and other miscellaneous additions.

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

Debt Covenant	March 31, 2009
Current ratio ⁽¹⁾ – must be greater than 1.2:1	2.15:1
Debt ⁽²⁾ to EBITDAS ⁽³⁾⁽⁴⁾ – must be less than 2:1	1.0:1
Debt service coverage ⁽⁵⁾ – must be greater than 1.5:1	15.2:1
Debt ⁽²⁾ to total capitalization ⁽⁶⁾ – must be less than 0.5:1	0.2:1

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

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

(3) EBITDAS (Earnings before interest, taxes, depreciation, amortization, gain/loss on disposal of property, plant and equipment and stock based compensation) is not a recognized measure under Canadian generally accepted accounting principles (GAAP). Management believes that in addition to net earnings, EBITDAS is a useful supplemental measure as it provides an indication of the Corporation's ability to generate cash flow in order to fund working capital, service debt, pay current income taxes and fund capital programs. Investors should be cautioned, however, that EBITDAS should not be construed as alternatives to net earnings determined in accordance with GAAP as an indicator of the Corporation's performance. Horizon's method of calculating EBITDAS may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities.

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

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

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

Quarterly Summary of Results

(000's except per share amounts)	Three months ended	
	March 2009	
Revenue	\$ 38,638	
EBITDAS	12,090	
Operating earnings	5,110	
Net earnings	3,702	
Net earnings per share	\$0.03	
Net earnings per share - diluted	\$0.03	

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

(000's except per share amounts)	Three months ended				Year ended
	March 2007	June 2007	September 2007	December 2007	December 2007
Revenue	\$ 34,884	\$ 20,698	\$ 19,277	\$ 20,987	\$ 95,846
EBITDAS	10,317	4,069	5,199	3,469	23,054
Operating earnings (loss)	6,741	711	1,511	(1,199)	7,764
Net earnings	4,504	754	605	217	6,080
Net earnings per share	\$0.05	\$0.01	\$0.01	\$0.00	\$0.07
Net earnings per share - diluted	\$0.05	\$0.01	\$0.01	\$0.00	\$0.07

In the year ended December 31, 2007, prior to the acquisition of Northern Trailer Ltd. ("Northern") and the completion of the BlackSand Executive Lodge, the Corporation's Camp & Catering segment derived a substantial portion of its revenue from servicing customers in Canada's conventional oil and gas industry. The ability to move equipment in

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

Northern is much less seasonal than the traditional Camps & Catering operations as it derives most of its revenues from industries which operate year-round. The BlackSand Executive Lodge derives its revenues from oil sands developments which also operate year-round. The addition of Northern on November 30, 2007 and the addition of the BlackSand Executive Lodge in the third quarter of 2008 significantly reduced the seasonality which previously affected the Camps & Catering segment.

The Matting segment's services are utilized to allow operations to gain access to areas with soft ground conditions. As a result, the busiest time for its rental operations is typically between spring break up and winter freeze up. In 2007, the Matting segment saw a shift in its traditional revenue generating activities. Utilization of the rental fleet remained strong in the second half of the year due primarily to increased work on in situ oil sands projects which tend to have more year-round activity. Mat sales, which have traditionally occurred in the first quarter after Christmas and before spring break up, also got off to an early start with some sizable orders being filled in the fourth quarter of 2007. In 2008, the revenue mix shifted again, resulting in mat rentals which were relatively consistent in each of the quarters, but reduced from the previous year and mat sales were significant in the third and fourth quarters of 2008.

The Corporation operates marine transportation equipment in Canada's northern regions. Due to winter climate conditions, northern waterways are usable by tug and barge traffic from approximately mid-June to mid-October each year. As a result, the Corporation's marine transportation services revenue will typically be concentrated in this period of each year. However, the barges and barge camps were used to facilitate winter projects in the winter drilling seasons for 2007 and 2008, resulting in higher revenues in the fourth quarters of both 2007 and 2008 and the first quarters of 2008 and 2009.

In the first quarter of 2009, all three operating segments have been affected by the downturn in the economy. However, the activity in the Camps & Catering segment associated with the BlackSand Executive Lodge has helped minimize the impact of the economic downturn, offsetting the decreases from activity levels in the other segments.

Risks and Uncertainties

Volatility of Oil, Natural Gas and Mining Industry Conditions

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

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

Status of Northern Development Projects

Horizon is positioning its business to participate in northern development projects that currently have not received final regulatory approval. One such prominent project is the Mackenzie Valley gas project which is currently in the affected community public hearing stage of the approval process with final approval decisions not expected to be received until 2010. No assurance can be given that this and other large development projects will ultimately receive approval to proceed.

Seasonal Operations

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

Competition

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

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

Credit Risk

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

Additional Funding Requirements

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

Issuance of Debt

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

Labour Relations

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

Aboriginal Relationships

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

Agreements and Contracts

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

Significant Customer

In the first quarter of 2009, 24% of the Corporation's revenue was attributable to one customer. Under Horizon's multi-year contract with this customer, these significant contributions to consolidated revenues are expected to continue. The loss of this contracted source of revenue could have a substantial negative impact on the Corporation's future results from operations.

Reliance on Key Personnel

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

Camp Permits

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

Government Regulation

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

Environmental Regulation

Canada is a signatory to the United Nations Framework Convention on Climate Change and has ratified the Kyoto Protocol established thereunder to set legally binding targets to reduce nation-wide emissions of carbon dioxide, methane, nitrous oxide and other so-called "greenhouse gases". The Government of Canada has put forward a Climate Change Plan for Canada which suggests further legislation will set greenhouse gases emission reduction requirements for various industrial activities, including oil and gas exploration and production. Future federal legislation, together with provincial emission reduction requirements may require the reduction of emissions or emissions intensity from Horizon's operations and facilities. Mandatory emissions reductions may result in increased operating costs and capital expenditures for oil and gas and mining industry participants, thereby decreasing the demand for Horizon's services. The mandatory emissions reductions may also impair Horizon's ability to provide its services economically. Management is unable to predict the impact of the Kyoto Protocol or other provincial emissions targets on Horizon and it is possible that it will adversely affect Horizon's business, financial condition and results of operations.

The Alberta Provincial Government has recently introduced regulations to govern and accelerate the reclamation of tailings ponds used in the operations of oilsands mining facilities. These regulations will likely result in higher operating costs for our customers in the region, putting further pressure on project economics.

Other Risks

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

Critical Accounting Estimates

This Management's Discussion and Analysis of the Corporation's financial condition and results of operations is based on its consolidated financial statements which are prepared in accordance with Canadian generally accepted accounting principles. The Corporation's accounting policies used to prepare the unaudited interim consolidated financial statements are consistent with those used in the preparation of the Corporation's consolidated audited financial statements for the year ended December 31, 2008 except as noted in Note 3 of the unaudited interim consolidated financial statements. The presentation of these financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates and judgments are based on historical experience and on various assumptions that are believed to be reasonable under the circumstances. Anticipating future events cannot be done with certainty, therefore these estimates may change as new events occur, more experience is acquired and as the Corporation's operating environment changes.

The accounting estimates believed to be the most difficult, subjective or complex judgments and which are the most critical to the reporting of results of operations and financial positions are as follows:

Impairment of Long-Lived Assets

Long-lived assets, which include property, plant and equipment and intangible assets, comprise the majority of the Corporation's assets. Management assesses the carrying value of long-lived assets on a periodic basis for indications of impairment. Indications of impairment include an ongoing lack of profitability and significant changes in our competitors' positions in the market. When an indication of impairment is present, a test for impairment is carried out by comparing the carrying value of the asset to its net fair value. If the carrying amount is greater than the net fair value, the asset would be considered impaired and an impairment loss would be recognized to reduce the asset's carrying value to its estimated fair value. During the fourth quarter of 2008, Horizon completed its intangible assets and property, plant and equipment assessment and concluded that the carrying values of the intangible assets and property, plant and equipment of the Corporation are not impaired.

Depreciation & Amortization

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

Income Taxes

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

The Corporation's business and operations are complex and the Corporation executed a number of significant financings, business combinations and acquisitions, specifically in 2006 and 2007. The computation of income taxes payable as a result of the transactions involves many complex factors as well as the Corporation's interpretation of relevant tax legislation and regulations. The Corporation's management believes that the provision for income tax is adequate.

Changes in Accounting Policies

Effective January 1, 2009, the Corporation has adopted the new Canadian accounting standards for goodwill and intangible assets which establish standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises.

Transition to International Financial Reporting Standards

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed the changeover to International Financial Reporting Standards ("IFRS") from Canadian Generally Accepted Accounting Principles ("GAAP") will be required for publicly accountable enterprises effective for interim and annual financial statements relating to fiscal

years beginning on or after January 1, 2011. The AcSB issued the “omnibus” exposure draft of IFRS with comments due by July 31, 2008, wherein early adoption by Canadian entities is also permitted. The Canadian Securities Administrators (“CSA”) has also issued Concept Paper 52-402, which requested feedback on the early adoption of IFRS. The eventual changeover to IFRS represents changes due to new accounting standards. The transition from current GAAP to IFRS is a significant undertaking that may materially affect the Corporation's reported financial position and results of operations.

In the fourth quarter of 2008, the Corporation retained an independent accounting firm to assess the differences between current GAAP and IFRS which will impact the Corporation. The Corporation is in the process of using that assessment to complete its IFRS changeover plan, which will include project structure and governance, resourcing and training and a phased plan to assess accounting policies under IFRS as well as potential IFRS 1 exemptions. The Corporation hopes to complete its project scoping, which will include a timetable for assessing the impact on data systems, internal controls over financial reporting, and business activities, such as financing and compensation arrangements, by the end of the second quarter of 2009.

Financial Instruments and Risk Management

Financial instruments of the Corporation consist of accounts receivable, operating lines of credit, accounts payable and accrued liabilities and long-term debt. The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and income taxes recoverable approximate their fair value due to the relatively short period to maturity of the instruments. The fair value of the operating lines of credit approximates their carrying values as they bear interest at floating rates.

The Corporation is exposed to a number of different financial risks arising from normal course business operations as well as through the Corporation's financial instruments comprised of cash and cash equivalents, trade accounts receivable, trade accounts payable and accrued liabilities, income taxes receivable and payable and long-term debt. These risk factors include credit risk, liquidity risk, and market risk including currency exchange risk and interest rate risk.

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

(a) Credit risk:

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

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

The following shows the aged balances of accounts receivable:

(000's)	March 2009	December 2008
Neither impaired nor past due	\$ 9,655	\$ 16,513
Impaired	485	548
Outstanding 31-60 days	10,529	7,481
Outstanding 61-90 days	6,747	5,122
Outstanding more than 90 days	6,324	6,111
Total	\$ 33,740	\$ 35,775
Allowance for doubtful accounts	(485)	(548)
Accrued revenue	927	2,315
Other receivables	180	331
Total accounts receivable	\$ 34,362	\$ 37,873

In the three months ended March 31, 2009, the Corporation did not provide any additional allowance for receivables aged greater than 90 days and did not collect on any amounts which had previously been allowed for. The Corporation also applied \$63,000 of allowance for doubtful accounts against the associated receivable balance. As at May 5, 2009 the Corporation has collected \$5,376,000 on amounts outstanding more than 60 days.

(b) Liquidity risk:

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

To manage liquidity risk, the Corporation forecasts operational results and capital spending on a regular basis. Actual results are compared to these forecasts to monitor the Corporation's ability to continue to meet spending forecasts. In addition, the Corporation increased its credit facilities in the third quarter to the following:

- \$20,000,000 revolving credit facility secured by a floating charge on land, a first floating charge on all present and after-acquired real property, and a first ranking security interest in all personal property of the Corporation and its wholly owned subsidiaries. Interest is payable at the bank prime rate plus 1.00% (March 31, 2009 – 3.50%).
- \$60,000,000 senior secured revolving term facility secured by a floating charge on land, a first floating charge on all present and after-acquired real property, and a first ranking security interest in all personal property of the Corporation and its wholly owned subsidiaries. Interest is payable at the bank prime rate plus 1.50% (March 31, 2009 – 4.00%).

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

(000's)	March 2009		December 2008	
	Trade and other payables ⁽¹⁾	Funded debt ⁽²⁾	Trade and other payables ⁽¹⁾	Funded debt ⁽²⁾
Within one year	\$ 15,175	\$ 8,086	\$ 18,177	\$ 9,322
2 to 3 years	-	1,629	-	16,220
4 to 5 years	-	35,075	-	22,404
Over 5 years	-	90	-	-
	\$ 15,175	\$ 44,789	\$ 18,177	\$ 47,946

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

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

(c) Market risk:

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

Foreign currency exchange risk

The Corporation has limited exposure to foreign currency exchange risk as sales and purchases are typically denominated in Canadian Dollars (CAD). The Corporation's exposure to foreign currency exchange risk arises from the purchase of some raw materials which are denominated in U.S. Dollars (USD). Raw material purchases affect inventory, capital assets, cost of goods sold and depreciation expense balances, therefore, sensitivity analysis is limited to cash used in operating activities. The effect of a \$0.01 increase in the USD/CAD exchange rate would decrease cash used in operating activities for the three months ended March 31, 2009 by less than \$1,000. This assumes that the quantity of USD raw material purchases in the three months ended March 31, 2009 remains unchanged and that the change in the USD/CAD exchange rate is effective from the beginning of the year.

Interest rate risk

The Corporation is exposed to interest rate risk as changes in interest rates may affect interest expense and future cash flows. The primary exposure is related to the Corporation's revolving and senior secured revolving term facility which bear interest at rates of prime plus 1.00% and prime plus 1.50%, respectively. If prime were to have increased by 1%, it is estimated that the Corporation's net earnings would have decreased by

approximately \$112,000 for the three nine months ended March 31, 2009. This assumes that the amount and mix of fixed and floating rate debt in the three months ended March 31, 2009 remains unchanged and that the change in interest rates is effective from the beginning of the year.

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

Disclosure Controls & Procedures

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

As at December 31, 2008, an evaluation was carried out, under the supervision of the CEO and the CFO, of the effectiveness of the design and operation of Horizon's DC&P as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings.

Based on that evaluation, the CEO and CFO concluded that Horizon's DC&P were effective to ensure that information required to be disclosed in the reports that Horizon files or submits under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified therein.

As at March 31, 2009, there were no changes in Horizon's DC&P that occurred during the three months ended March 31, 2009 that have materially affected, or are reasonably likely to materially affect, Horizon's DC&P. Horizon will continue to periodically evaluate Horizon's DC&P and will make any modifications from time-to-time as deemed necessary.

Internal Control Over Financial Reporting

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

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

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

Management, under the supervision of the CEO and the CFO, evaluated the effectiveness of Horizon's ICFR based on the framework and criteria established in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on this evaluation, management has concluded that the design and operating effectiveness of Horizon's ICFR was effective as of December 31, 2008.

As at March 31, 2009, there were no changes in Horizon's ICFR that occurred during the three months ended March 31, 2009 that have materially affected, or are reasonably likely to materially affect, Horizon's ICFR. Horizon will continue to periodically evaluate Horizon's ICFR and will make any modifications from time-to-time as deemed necessary.

Changes in Internal Control over Financial Reporting

During the three months ended March 31, 2009, Horizon made the following changes that improved the internal controls over financial reporting:

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

Transactions with Related Parties

Description of related party		March 2009	March 2008
Corporation of which a director of Horizon is an officer	Purchases	\$ 12,000	\$ 52,000
	Sales	-	12,000
	Included in trade accounts receivable	8,000	49,000
	Included in trade accounts payable	-	8,000
Corporation of which a director of Horizon is an officer and an officer of Horizon is a director	Purchases	4,000	52,000
	Sales	17,000	12,000
	Included in trade accounts receivable	-	9,000
	Included in trade accounts payable	4,000	1,000
Corporation which is a significantly influenced investee	Included in trade accounts receivable	161,000	161,000
	Included in trade accounts payable	14,000	-
Corporation which is a significantly influenced investee	Purchases	-	28,000
	Sales	1,532,000	3,144,000
	Recovery of administrative overhead charged	57,000	16,000
	Included in trade accounts receivable	917,000	2,923,000
	Included in trade accounts payable	-	29,000
Corporation which is a significantly influenced investee	Purchases	45,000	-
	Sales	86,000	-
	Interest earned	3,000	-
	Included in trade accounts receivable	205,000	-
	Included in trade accounts payable	76,000	-
Corporation which is a significantly influenced investee	Interest earned	2,000	-
Corporation which is a significantly influenced investee	Purchases	-	52,000
	Sales	-	107,000
	Included in trade accounts receivable	4,000	498,000
Corporation which is a jointly controlled investee	Purchases	1,000	-
	Sales	1,000	28,000
	Rent charged	25,000	-
	Recovery of administrative overhead charged	33,000	33,000
	Included in trade accounts receivable	54,000	66,000
	Included in trade accounts payable	-	35,000
Corporation which is jointly controlled by one of the directors of Horizon	Rent paid	14,000	14,000

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

Outstanding Shares

Horizon has 110,400,363 voting common shares issued and outstanding with a book value of \$257,505,000 as at May 5, 2009.

Off Balance Sheet Financing

Horizon has no off balance sheet financing.

Contractual Obligations and Contingencies

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

Caution Regarding Forward-Looking Information and Statements

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

In particular such forward-looking statements include under the heading "Outlook", the following:

- a) "Horizon's businesses have certainly been negatively impacted by the world recession with its contracting economies, tight credit markets and low commodity prices. This situation will likely persist through 2009 and into 2010 before we see the beginnings of a recovery. "
- b) "A prime example of this reduced demand is the renegotiation of our contract for our BlackSand Executive Lodge in Fort McMurray. While a negative from a short-term cash flow perspective, the negotiations should strengthen our relationship with a customer who is a long-term player in the development of Canada's oilsands. At the same time, the extended term of the contract provided Horizon with a strong anchor tenant for its camp assets on the BlackSand site, providing an operating base to effectively market the remaining rooms."
- c) "Lower demand for services means competition for work that is taking place will be tougher and this will translate into lower pricing and margins. Horizon will counter the resulting lower revenue and cash flow with a substantially reduced capital spending program, right-sizing operations to meet demand and cost control measures such as salary rollbacks which will take effect in the second quarter of 2009."
- d) "Through 2009 we should see a continued reduction of our outstanding bank borrowings putting us in a very good position to weather this economic storm and perhaps to take advantage of asset buying opportunities that could materialize."

An additional forward-looking statement includes under the heading "Liquidity and Capital Resources", the following:

- a) "The Corporation does not anticipate having any issues with respect to covenant violations."

All of the foregoing statements are based on the assumption that the widespread severe economic downturn will continue through 2009 or longer. That assumption is subject to the risks that the general and local downturn could get worse than currently anticipated, which could further reduce Horizon's business activities. Those risks are further described under the section of MD&A headed "Risks and Uncertainties".

The Corporation believes the expectations reflected in the forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct. The forward-looking statements contained in this MD&A, are expressly qualified by this cautionary statement.

HORIZON NORTH LOGISTICS INC.

Consolidated Balance Sheets

March 31, 2009 and December 31, 2008 (Unaudited)

(000's)	March 2009	December 2008
Assets		
Current assets:		
Accounts receivable	\$ 34,362	\$ 37,873
Inventory	12,196	9,960
Prepaid expenses	1,081	1,168
Income tax receivable	2,353	950
	49,992	49,951
Property, plant and equipment, net	148,140	147,924
Intangible assets, net	40,790	43,032
Long-term investments (Note 5)	5,871	5,760
	\$ 244,793	\$ 246,667
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 641	\$ 1,776
Operating lines of credit	7,619	8,834
Accounts payable and accrued liabilities	10,815	14,234
Deferred revenue	3,719	2,167
Current portion of long-term debt (Note 6)	467	488
	23,261	27,499
Long-term debt (Note 6)	35,956	38,110
Future income tax liability	12,361	11,456
	71,578	77,065
Shareholders' equity:		
Share capital (Note 8)	257,505	257,505
Contributed surplus (Note 8)	5,475	5,564
Deficit	(89,765)	(93,467)
	173,215	169,602
Segmented information (Note 9)		
	\$ 244,793	\$ 246,667

See accompanying notes to the consolidated financial statements.

HORIZON NORTH LOGISTICS INC.

Consolidated Statements of Operations and (Deficit) Retained Earnings

Three months ended March 31, 2009 and 2008 (Unaudited)

<i>(000's except per share amounts)</i>	March 2009	March 2008
Revenue	\$ 38,638	\$ 41,409
Expenses:		
Cost of goods sold	4,695	7,593
Operating	19,450	19,057
General and administrative	2,410	2,574
Stock based compensation	(89)	494
Depreciation of property, plant and equipment	4,759	2,632
Amortization of intangible assets	2,242	2,242
Loss on disposal of property, plant and equipment	68	44
Foreign exchange (gain) loss	(7)	15
	33,528	34,651
Operating earnings	5,110	6,758
Interest income	(9)	(4)
Interest expense on operating lines of credit	64	209
Interest expense on long-term debt	435	245
Earnings on equity investments	(111)	(264)
Earnings before income taxes	4,731	6,572
Income taxes (Note 7)		
Current tax expense	124	1,436
Future tax expense	905	601
	1,029	2,037
Net earnings and other comprehensive income	3,702	4,535
(Deficit) retained earnings, beginning of period	(93,467)	4,482
(Deficit) retained earnings, end of period	\$ (89,765)	\$ 9,017
Earnings per share:		
Basic	\$ 0.03	\$ 0.04
Diluted	\$ 0.03	\$ 0.04

See accompanying notes to the consolidated financial statements.

HORIZON NORTH LOGISTICS INC.

Consolidated Statements of Cash Flows

Three months ended March 31, 2009 and 2008 (Unaudited)

(000's)	March 2009	March 2008
Cash provided by (used in):		
Operating activities:		
Net earnings	\$ 3,702	\$ 4,535
Items not involving cash:		
Depreciation of property, plant and equipment	4,759	2,632
Amortization of intangible assets	2,242	2,242
Future income tax expense	905	601
Stock based compensation	(89)	494
Earnings on equity investments	(111)	(264)
Gain on sale of property, plant and equipment	(336)	(383)
	11,072	9,857
Changes in non-cash working capital items	(1,908)	(11,340)
	9,164	(1,483)
Investing activities:		
Purchase of property, plant and equipment	(6,043)	(18,761)
Proceeds on sale of property, plant and equipment	1,404	1,612
Business acquisitions	-	(532)
	(4,639)	(17,681)
Changes in non-cash working capital items	-	776
	(4,639)	(16,905)
Financing activities:		
Repayment of bank indebtedness	(1,135)	-
Share issuance costs	-	(15)
Repayment of operating lines of credit	(1,215)	(8,612)
Proceeds from long-term debt	-	27,300
Repayment of long-term debt	(1,942)	(574)
Repayment of capital leases	-	(26)
Payment of deferred financing costs	(289)	-
Items not involving cash:		
Amortization of deferred financing costs	56	-
	(4,525)	18,073
Changes in non-cash working capital items	-	(210)
	(4,525)	17,863
Decrease in cash position	-	(525)
Cash, beginning of period	-	1,220
Cash, end of period	\$ -	\$ 695
Supplementary information:		
Income taxes paid	\$ 1,527	\$ 3,141
Interest income received	9	4
Interest paid	553	492

See accompanying notes to the consolidated financial statements.

HORIZON NORTH LOGISTICS INC.

Notes to the Consolidated Financial Statements (Unaudited), page 1

Three months ended March 31, 2009 and 2008

1. Basis of Presentation

(a) General

These unaudited interim consolidated financial statements for Horizon North Logistics Inc. (the "Corporation" or "Horizon") were prepared using accounting policies and methods of their application consistent with those used in the preparation of the Corporation's consolidated audited financial statements for the year ended December 31, 2008 except as noted in Note 3. These unaudited interim financial statements conform in all respects to the requirements of generally accepted accounting principles in Canada for annual financial statements with the exception of certain note disclosures regarding balance sheet items and transactions occurring prior to the current reporting period. As a result, these financial statements should be read in conjunction with the Corporation's consolidated audited financial statements for the year ended December 31, 2008.

(b) Nature of business

Horizon provides camp & catering, ground matting, and marine transportation services to oil and gas exploration and production companies, oilfield service companies and mining companies working on oil sands, mineral exploration and development, and conventional oil and gas projects primarily in western Canada.

2. Significant Accounting Policies

(a) Seasonality of operations

The Corporation's Camp & Catering segment derives a substantial portion of its revenue from servicing customers in Canada's oil and gas industry. The ability to move equipment in the Canadian oil and gas fields is dependent on weather conditions. As warm weather returns in the spring, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. The duration of this "spring break up" has a direct impact on the activity levels of the Camp & Catering segment. In addition, many exploration and production areas in northern Canada are accessible only in winter months when the ground is frozen hard enough to support equipment. The timing of freeze up and break up affects the ability to move equipment in and out of these areas. As a result, late March through May is traditionally the segment's slowest time. Horizon's recent expansion into the Fort McMurray, Alberta oil sands region will reduce this seasonality as oil sands developments operate year-round and will provide a steadier source of activity for the segment.

The Matting segment's services are utilized to allow operations to gain access to areas with soft ground conditions. As a result, the busiest time for its rental operations is traditionally between break up and freeze up.

The Corporation operates marine transportation equipment in Canada's northern regions. Due to winter climate conditions, northern waterways are usable by tug and barge traffic from approximately mid-June to mid-October each year. As a result, the Corporation's Marine Services revenue will typically be concentrated in this period of each year. During the winter months, the Marine Services segment has rented its barge camp equipment to an operator in the region in both 2007/2008 and 2008/2009 seasons.

(b) Comparative figures

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

3. Changes in Accounting Policies

The Corporation has adopted the new Canadian accounting standards for goodwill and intangible assets which establish standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises.

HORIZON NORTH LOGISTICS INC.

Notes to the Consolidated Financial Statements (Unaudited), Page 2

Three months ended March 31, 2009 and 2008

4. Acquisitions

For the year ended December 31, 2008:

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

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

5. Long-Term Investments

(000's)	Kitikmeot & Sakku	Mackenzie Valley	MDIOS	Beaufort	Total Investments
Balance December 31, 2007	\$ 2,862	\$ 1,388	\$ 1,428	\$ 1	\$ 5,679
Earnings (loss) on equity investment	780	28	(219)	-	589
Return of capital	-	(73)	(261)	-	(334)
Post-closing purchase price adjustment	(174)	-	-	-	(174)
Balance December 31, 2008	\$ 3,468	\$ 1,343	\$ 948	\$ 1	\$ 5,760
Earnings (loss) on equity investment	205	(59)	(35)	-	111
Balance March 31, 2009	\$ 3,673	\$ 1,284	\$ 913	\$ 1	\$ 5,871

6. Long-Term Debt

(000's)	March 2009	December 2008
Senior secured revolving term facility	\$ 36,600	\$ 38,400
Vehicle and equipment financing	570	712
	\$ 37,170	\$ 39,112
Less deferred financing costs	747	514
Less current portion	467	488
	\$ 35,956	\$ 38,110

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

HORIZON NORTH LOGISTICS INC.

Notes to the Consolidated Financial Statements (Unaudited), Page 3

Three months ended March 31, 2009 and 2008

7. Income Taxes

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

(000's)	March 2009	March 2008
Earnings before income taxes	\$ 4,731	\$ 6,572
Combined federal and provincial income tax rate	<u>29.00%</u>	<u>29.50%</u>
Expected income tax provision	1,372	1,939
Non-deductible stock based compensation	(26)	146
Earnings on equity investments	(32)	(78)
Change due to substantively enacted tax rate reductions	-	-
Change in estimated timing of realization of temporary differences	(327)	107
Other	42	(77)
	<u>\$ 1,029</u>	<u>\$ 2,037</u>

8. Share Capital

(a) Authorized

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

(b) Issued

	Number	Amount (000's)
Balance at December 31, 2007	110,400,363	\$ 257,515
Share issue costs pertaining to November 30, 2007 private placement (net of future income taxes of \$5,000)	-	(10)
Balance at December 31, 2008	110,400,363	\$ 257,505
Balance at March 31, 2009	110,400,363	\$ 257,505

(c) Stock option plan

The Corporation has a stock option plan for its directors, officers and key employees whereby options may be granted, to a maximum of 10% of the issued and outstanding common shares, subject to terms and conditions. Stock option vesting privileges are at the discretion of the Board of Directors and were set at three years for the 2006 plan.

	Outstanding options	Weighted average exercise price per share \$	Options exercisable
Balance December 31, 2008	4,351,000	3.30	2,183,482
Granted	-	-	-
Forfeited	(640,000)	3.41	-
Balance March 31, 2009	3,711,000	3.30	2,133,985

HORIZON NORTH LOGISTICS INC.

Notes to the Consolidated Financial Statements (Unaudited), Page 4

Three months ended March 31, 2009 and 2008

8. Share Capital (continued)

(c) Stock option plan (continued)

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

Exercise price per share	Total options outstanding			Exercisable options	
	Number	Weighted average exercise price per share \$	Weighted average remaining contractual life in years	Number	Weighted average exercise price per share \$
\$3.10 to \$3.25	2,351,000	3.24	3.0	1,335,653	3.25
\$3.26 to \$3.50	1,355,000	3.35	7.0	796,665	3.35
\$3.51 to \$3.75	5,000	3.56	3.2	1,667	3.56
	3,711,000	3.30	4.5	2,133,985	3.28

The Corporation calculates the fair value of the stock options granted using the Black-Scholes pricing model to estimate the fair value of the stock options issued at the date of grant. The weighted average fair market value of the options issued to date and the assumptions used in their determination are as follows: weighted average fair value per option \$1.47; weighted average expected life of 3.6 years, average risk-free interest rate 4.1%, and weighted average volatility of 58%. There were no new options granted in the three months ended March 31, 2009.

For the three months ended March 31, 2009, stock based compensation recovery included in net earnings amounted to \$89,000 related to the forfeiture of options compared to an expense of \$494,000 for the three months ended March 31, 2008.

(d) Contributed surplus

(000's)	Amount
Balance December 31, 2008	\$ 5,564
Stock based compensation	(89)
Balance March 31, 2009	\$ 5,475

(e) Per share amounts

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

	March 2009	March 2008
Weighted average common shares outstanding – basic	110,400,363	110,400,363
Effect of share purchase options	-	-
Weighted average common shares outstanding – diluted	110,400,363	110,400,363

HORIZON NORTH LOGISTICS INC.

Notes to the Consolidated Financial Statements (Unaudited), Page 5

Three months ended March 31, 2009 and 2008

9. Segmented Information

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

Three months ended March 31, 2009 (000's)	Camps & Catering	Matting	Marine Services	Corporate	Inter-segment Eliminations	Total
Revenue	\$ 32,177	\$ 5,127	\$ 1,755	\$ -	\$ (421)	\$ 38,638
Operating earnings (loss)	6,632	(598)	599	(1,555)	32	5,110
Depreciation and amortization	5,137	1,556	289	51	(32)	7,001
Loss on disposal of assets	4	64	-	-	-	68
Stock based compensation	108	15	3	(215)	-	(89)
Total assets	188,056	30,282	19,474	7,141	(160)	244,793
Intangibles	30,794	9,996	-	-	-	40,790
Capital expenditures	5,349	465	32	197	-	6,043

Three months ended March 31, 2008 (000's)	Camps & Catering	Matting	Marine Services	Corporate	Inter-segment Eliminations	Total
Revenue	\$ 28,807	\$ 10,006	\$ 3,379	\$ -	\$ (783)	\$ 41,409
Operating earnings (loss)	5,398	1,613	1,890	(2,077)	(66)	6,758
Depreciation and amortization	3,129	1,451	254	40	-	4,874
Loss on disposal of assets	32	12	-	-	-	44
Stock based compensation	217	53	6	218	-	494
Total assets	251,976	66,459	21,011	4,677	-	344,123
Goodwill	89,384	25,306	-	-	-	114,690
Intangibles	37,338	12,419	-	-	-	49,757
Capital expenditures	15,397	3,164	301	5	(106)	18,761

CORPORATE INFORMATION

DIRECTORS

Ethel Blondin-Andrew
Yellowknife, Northwest Territories

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Ric E. Peterson
Calgary, Alberta

Shane P.D. Stampe⁽⁴⁾
Calgary, Alberta

Dean S. Swanberg⁽⁴⁾
Grande Prairie, Alberta

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

CORPORATE OFFICE

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OFFICERS

Ric Peterson
Chairman, President and Chief Executive Officer

Bob German
Vice President Finance and Chief Financial Officer

Bill Anderson
Vice President Health, Safety and Environment

Jan Campbell
Corporate Secretary

LEGAL COUNSEL

Borden Ladner Gervais LLP
Calgary, Alberta

AUDITOR

KPMG LLP
Calgary, Alberta

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Symbol: HNL

TRANSFER AGENT

CIBC Mellon Trust Company
Calgary, Alberta