This Management's Discussion and Analysis ("MD&A"), prepared as at February 19, 2014, focuses on key statistics from the Consolidated Financial Statements and pertains to known risks and uncertainties relating to the business carried on by Horizon North Logistics Inc. ("Horizon" or the "Corporation"). This discussion should not be considered all-inclusive, as it does not attempt to include changes that may occur in general economic, political and environmental conditions.

Annual Financial Summary

	Years ended December 31				
(000's except per share amounts)	2013	% change	2012	% change	2011
Revenue	$ 554,387	5%	$ 526,616	31%	$ 402,993
EBITDAS[(1)]	126,334	(13%)	145,027	41%	102,636
EBITDAS as a % of revenue	23%		28%		25%
Operating earnings [(1)]	63,291	(38%)	102,758	45%	62,723
Operating earnings as a % of revenue	11%		20%		16%
Total profit	42,451	(42%)	72,883	63%	44,822
Total comprehensive income	42,637	(42%)	72,933	62%	44,980
Earnings per share – basic	$ 0.39	(42%)	$ 0.67	60%	$ 0.42
– diluted	0.38	(42%)	0.66	61%	0.41
Total assets	$ 471,115	(5%)	$ 495,993	39%	$ 357,137
Long-term loans and borrowings	78,256	(33%)	116,872	112%	55,234
Cash from operations	125,369	47%	85,036	3%	87,711
Capital spending					
Purchase of capital	90,146	(35%)	139,346	38%	101,034
Proceeds from capital disposals	(26,925)	205%	(8,831)	2%	(8,683)
Net capital spending	63,221	(52%)	130,515	41%	92,351
Debt to total capitalization ratio[(2)]	0.21	(30%)	0.30	43%	0.21
Dividends declared	$ 27,378		$ 21,662		$ 12,770
Dividends declared per share	$ 0.25		$ 0.20		$ 0.12

(1) EBITDAS (Earnings before finance costs, taxes, depreciation, amortization, gain/loss on disposal of property, plant and equipment, impairment loss and share based compensation) and operating earnings (earnings before finance costs, taxes, impairment loss, and earnings on equity investments) are not recognized measures under IFRS. Management believes that in addition to total profit and total comprehensive income, EBITDAS is a useful supplemental measure as it provides an indication of the Corporation's ability to generate cash flow in order to fund working capital, service debt, pay current income taxes and fund capital programs, and it is regularly provided to and reviewed by the Chief Operating Decision Maker. Operating earnings is a useful supplemental measure as it provides an indication of the results generated by the Corporation's principal business activities prior to consideration of how those activities are financed or taxed. Horizon's method of calculating EBITDAS and operating earnings may differ from other entities and accordingly, may not be comparable to measures used by other entities. EBITDAS and operating earnings should not be construed as alternatives to total profit and total comprehensive income determined in accordance with IFRS as an indicator of the Corporation's performance. For a reconciliation of EBITDAS and operating earnings to total profit and total comprehensive income, please refer to page 3 of the Management's Discussion and Analysis.

(2) Debt to total capitalization is calculated as the ratio of debt to total capitalization. Debt is defined as the sum of current and long-term portions of loans and borrowings. Total capitalization is calculated as the sum of debt and shareholders' equity.

Overview

Horizon's 2013 results were mixed compared to 2012, while revenue increased year over year EBITDAS, operating earnings and earnings per share declined. The increase in revenue came from strong performance in the manufacturing sales operations, a result of a large camp sale project in the Alberta oil sands being manufactured and installed throughout 2013. This revenue strength was partially offset by weaker performance in the camp rental and catering operation primarily as a result of lower utilization in the open style camps, particularly in the second half of 2013. In addition, 2013 matting revenues were down compared to 2012 with weather being a significant factor contributing to reduced sales and rental volumes. The summer saw extremely wet ground conditions in a very short period of time which limited the ability to work and the fourth quarter was cold with a quick freeze up. These factors resulted in a significantly different revenue mix in 2013 compared to 2012 which had an impact on earnings.

EBITDAS decreased in 2013 compared to 2012 primarily as a result of the shift in revenue mix. The manufacturing sales operation typically contributes lower margins in comparison to camp rental and catering operations and matting operations. In 2013 manufacturing sales increased to 41% of total revenue compared to 30% in 2012, as a result of this shift in revenues EBITDAS decreased.

Operating earnings and earnings per share decreased in 2013 compared to the same period of 2012, driven by lower EBITDAS, higher depreciation costs and losses on disposal of plant, property and equipment. Increased depreciation was a result of the addition of camp assets and camp setup costs related to new camps added late in 2012 and throughout 2013. Camp setup costs are typically depreciated over the contract term which is a much shorter time frame than camp equipment. The loss on disposal of assets came mainly from the disposal of set-up costs related to the decommissioning of a large camp in the second quarter of 2013, disposal of the Corporation's blast resistant structures business and the sale of ancillary land in the fourth quarter of 2014. All of these factors contributed to decreased operational earnings for the year ended December 31, 2013 compared to the same period of 2012.

Outlook

After a very soft quarter to end 2013, activity levels have improved to start 2014. In the camp rental and catering business, activity levels are slightly ahead of where they were last year at this time. The matting business is also seeing rental and sales levels similar to last year at this time with increases expected as spring break-up approaches.

First quarter and early second quarter plant activity will be focused on manufacturing the capital equipment required to meet the needs of our recently announced, multi-year oil sands contract. Third party revenues during this period will be mainly generated by the continued on-site installation work being performed at a large camp sale project in the Fort McMurray, Alberta oil sands region. The manufacturing sales revenue stream is the most variable component of Horizon's operation. Manufacturing capacity is currently 45% booked for 2014. By comparison, at this point in 2013, 75% of Horizon's manufacturing capacity was booked for either third party sales or construction of contracted camps. Horizon anticipates visibility regarding the utilization of its manufacturing capacity for the second half of 2014 to continue to improve and is encouraged by a continued strong bidding pipeline that relates to oil sands projects and LNG development in British Columbia.

The macro fundamentals of the workforce accommodation and matting businesses continue to be sound. Oil sands investment is forecasted to be near $30 billion per year for the foreseeable future and Canada's LNG projects are progressing with reserve delineation drilling occurring in the north eastern British Columbia gas fields. Anticipated announcements pertaining to provincial LNG/natural gas tax structures should facilitate project proponents making final investment decisions on gas liquefaction plant construction.

Dividend payment

Horizon North Logistics Inc. announced today that its Board of Directors has declared a dividend for the first quarter of 2014 at $0.08 per share. The dividend is payable to shareholders of record at the close of business on March 31, 2014 to be paid on April 15, 2014. The dividends are eligible dividends for Canadian tax purposes.

Annual Financial Results

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

	Year ended December 31, 2012				
(000's)	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	$ 447,190	$ 91,466	$ -	$ (12,040)	$ 526,616
Expenses					
Direct costs	307,443	68,252	-	(11,369)	364,326
Selling & administrative	5,518	588	11,157	-	17,263
EBITDAS	134,229	22,626	(11,157)	(671)	145,027
EBITDAS as a % of revenue	30%	25%		6%	28%
Share based compensation	1,096	172	883	-	2,151
Depreciation & amortization	31,713	8,179	482	(163)	40,211
Loss (gain) on disposal of property, plant and equipment	28	(108)	(13)	-	(93)
Operating earnings	$ 101,392	$ 14,383	$ (12,509)	$ (508)	$ 102,758
Finance costs					3,557
Share of equity accounted investees					529
Income tax expense					25,789
Other comprehensive income					(50)
Total comprehensive income					$ 72,933
Earnings per share – basic					$ 0.67
– diluted					$ 0.66

Camps & Catering

Camps & Catering revenue is comprised of camp rental and catering operations revenue, manufacturing sales revenue, space rental revenue and the associated service revenue within each operation.

	Years ended December 31		
(000's except bed rental days and catering only days)	2013	2012	% change
Camp rental and catering operations revenue	$ 257,820	$ 280,348	(8%)
Manufacturing sales	227,650	156,514	45%
Space rental	11,124	10,328	8%
Total revenue	$ 496,594	$ 447,190	11%
EBITDAS	$ 120,977	$ 134,229	(10%)
EBITDAS as % of revenue	24%	30%	
Operating earnings	$ 67,464	$ 101,392	(32%)
Bed rental days[(1)]	1,690,199	1,441,297	17%
Catering only days[(2)]	165,006	246,194	(33%)

(1) One bed rental day represents the provision of one bed for one day under a combined rental and catering manday rate, or the provision of one bed for one day under an equipment rental rate for dedicated camp equipment.

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

Revenues from the Camps & Catering segment for the year ended December 31, 2013 were $496.6 million, an increase of $49.4 million or 11% from the comparative year. EBITDAS for the year ended December 31, 2013 were $121.0 million, a decrease of $13.3 million or 10% compared to the same period of 2012.

Horizon's revenues in the Camps & Catering segment continue to be driven by Alberta oil sands activity with 61% of revenues generated from oil sands compared to 63% in the same period of 2012. Additionally, natural gas exploration and development activities started to grow with Horizon increasing exposure through the last half of 2013. Of note in 2013 was the shift of revenue mix in the comparative periods with 2013 having a higher proportion of revenue generated from manufacturing sales compared to the same period of 2012, a result of Horizon executing a sale of a large camp manufacturing and installation project for a major oil sands operator throughout 2013. The impact of this shift is reflected in EBITDAS as a result of the different cost structures in the manufacturing sales operations compared to the camp rental and catering operations. Manufacturing sales operations typically contributes lower margins compared to the camp rental and catering business.

Camp rental and catering operations revenue

Revenues are derived from the following main business areas: large camp operations, drill camp operations, catering only operations, and the associated service work within each operation. Service work includes the transportation, set-up and de-mobilization of camp and catering projects.

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

	Years ended December 31					
(000's for revenue only)	2013			2012		
	Large camp	Drill camp	Total	Large camp	Drill camp	Total
Revenue	$ 197,079	$ 20,105	$ 217,184	$ 211,853	$ 14,968	$ 226,821
Bed rental days(1)	1,574,231	115,968	1,690,199	1,358,043	83,254	1,441,297
Revenue per bed rental day	$125	$173	$128	$156	$180	$157
Number of rentable beds at period end	7,059	882	7,941	6,905	871	7,776
Average rentable beds available(2)	7,078	873	7,951	6,141	794	6,935
Utilization(3)	61%	36%	58%	60%	29%	57%

(1) One bed rental day represents the provision of one bed for one day under a combined rental and catering manday rate, or the provision of one bed for one day under an equipment rental rate for dedicated camp equipment.

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

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

Revenues from large camp operations for the year ended December 31, 2013 decreased by $14.8 million or 7% compared to the same period in 2012. The decreased revenues were driven mainly by lower volumes at several of the open style camps.

Bed rental days increased by 216,188 days or 16% as bed utilization was up slightly to 61% on a larger fleet compared to the same period of 2012. Horizon added 682 rentable beds to the fleet in 2013 and disposed of 528 to close the year with growth of 154 rentable beds. The average rentable beds increased in 2013 by 937 compared to 2012, this increase is reflective of the timing of when beds were added or removed from the fleet during the year.

Revenue per bed rental day declined in the comparative periods by $31 or 20%. The majority of the rate decrease was related to the mix of contracts with a higher number of split rate contracts in 2013. Under the split rate contract beds are considered 100% utilized as the customer has contracted the beds and pays a separate rate for the catering and camp management services. The remainder of the decrease was due to slightly lower rates at the open style of camps.

Revenues from drill camp operations for the year ended December 31, 2013 increased by $5.1 million or 34% compared to the same period of 2012. In the comparative years, the increase was a result of higher utilization of Horizon's drill camps.

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

(000's for revenue only)	Years ended December 31 2013	2012
Catering only revenue	$ 17,692	$ 25,853
Catering only days[(1)]	165,006	246,194
Revenue per catering only day	$107	$105

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

Revenues from the provision of catering and housekeeping only services, with no associated bed rentals, for the year ended December 31, 2013 decreased $8.2 million or 32% as compared to same period of 2012. The majority of the decrease in revenue was related to a catering only contract for a mine development project in Nunavut which ended in September of 2012. The remainder of the decrease was a result of lower volumes primarily in the catering only for customer owned drill camps. The revenue per catering only day increased due to the mix of contracts in the comparative years.

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

(000's)	Years ended December 31 2013	2012
Camp and catering operations service related revenue	$ 22,944	$ 27,674

Service revenues are related to the transportation, set-up and de-mobilization of relatively short term camps for customers. Revenues for the year ended December 31, 2013 decreased $4.8 million or 17% compared to the same periods in 2012. The decrease was mainly due to the timing of the specific service projects undertaken in the comparative periods.

Manufacturing sales

Manufacturing sales revenues include in-plant construction, transportation and installation of camps sold to third parties. Revenues for the year ended December 31, 2013 were $227.7 million, an increase of $71.2 million or 45% as compared to the same period of 2012. The increase in revenue for 2013 was a result of larger manufacturing projects, the timing of those projects and the project phase compared to the same period of 2012. Direct manufacturing hours for the year ended December 31, 2013 were 810,694 compared to 643,148 in the same period of 2012, an increase of 167,546 hours or 26%. This increase in direct hours was achieved by ramping up staffing levels at the existing production facilities later in 2012 and the first half of 2013. Of the total direct manufacturing hours, 58% were allocated to external sales projects as compared to 55% in the same period of 2012.

Space rental revenues

Space rental revenues increased $0.8 million for the year ended December 31, 2013 compared to 2012. The space rental fleet size and utilization was relatively consistent at 830 units and 81% for the comparative periods with the increased revenue a result of the mix of contracts in the comparative years.

Direct costs

Direct costs for the year ended December 31, 2013 were $369.9 million or 74% of revenue compared to $307.4 million or 69% of revenue for the same period of 2012. Direct costs are closely related to business volumes and the mix of operations within the business volumes. As a percentage of revenue, direct costs increased mainly due to the shift in revenue mix between camp rental and catering operations and manufacturing sales compared to same periods of 2012. In 2013, a larger proportion of revenue was derived from manufacturing sales operations which by its nature has higher direct costs than the camp rental and catering operations.

Matting

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

(000's except mat rental days and numbers of mats)	Years ended December 31, 2013	2012	% change
Access mat rental revenue[1]	$ 13,828	$ 17,556	(21%)
Other mat and rental equipment revenue[2]	2,969	3,707	(20%)
Total mat and rental equipment revenue	$ 16,797	$ 21,263	(21%)
Mat sales revenue	13,081	31,506	(58%)
Installation, transportation, service, and other revenue	32,541	38,697	(16%)
Total revenue	$ 62,419	$ 91,466	(32%)
EBITDAS	$ 17,760	$ 22,626	(22%)
EBITDAS as a % of revenue	28%	25%	
Operating earnings	$ 9,501	$ 14,383	(34%)
Access mat rental days – owned mats[3]	4,157,699	3,677,410	13%
Access mat rental days – third party mats[4]	1,653,828	2,537,743	(35%)
Total access mat rental days	5,811,527	6,215,153	(6%)
Average owned access mats in rental fleet[5]	17,057	13,812	23%
Average sub rental access mats in rental fleet[6]	4,521	9,216	(51%)
Owned access mats in rental fleet at year end[7]	16,392	13,714	20%
Mats sold:			
New mats	12,849	37,652	(66%)
Used Mats	6,818	6,189	10%
Total mats sold	19,667	43,841	(55%)

(1) Access mat rental revenue includes revenues generated from the rental of traditional oak and oak edged mats.
(2) Other mat and rental equipment revenue includes the rental of rig mats, quad mats and other ancillary equipment such as well site accommodation units and light towers.
(3) One mat rental day equals the rental of one owned access mat for one day.
(4) One mat rental day equals the rental of one third party sub rented access mat for one day.
(5) Average access mat rental fleet numbers reflect only owned access mats.
(6) Average sub rental access mats is the average number of non-owned access mats in the rental fleet. These mats are rented from third parties on a short term basis.
(7) Access mats in rental fleet at period end represents the number of owned access mats in the Matting fleet.

Revenues from the Matting segment for the year ended December 31, 2013 were $62.4 million, a decrease of $29.1 million or 32% compared to the same period of 2012. EBITDAS for the year ended December 31, 2013 were $17.8 million or 28% of revenue, a decrease of $4.8 million or 21% compared the same period of 2012.

The decrease in revenues year over year was a result of both moderate customer demand for mat sales throughout 2013 and lower mat rentals primarily a result of the extremely wet conditions in the second and third quarters of 2013.

Mat and rental equipment revenue

Access mat rental revenues for the year ended December 31, 2013 were $16.8 million, down $4.5 million or 21% compared to the same periods of 2012. Rental revenues decreased year over year as a result of decreased activity levels and lower revenue per mat rental day. Total mat rental days in the year ended December 31, 2013 decreased 403,626 or 6% compared to the same period of 2012 with extremely wet and flooded ground conditions in the second and third quarter and a quick freeze up in the fourth quarter being significant factors. Revenue per mat rental day was $2.38 in 2013 compared to $2.82 in 2012 due to the mix of contracts and competitive factors.

Utilization of the owned mat fleet for the year ended December 31, 2013 was 67% compared to 73% in the same periods of 2012. Compared to 2012, the 2013 decreased utilization was driven from both a larger owned mat rental fleet and lower activity levels.

Mat sales revenue

Revenues from mat sales for the year ended December 31, 2013 were $13.1 million, down $18.4 million or 58% compared to the same period of 2012. The decrease in revenue is reflective of moderating customer requirements and timing of projects. In comparison to 2012, the mix of mat sales shifted to a higher proportion of used mats in 2013 and as a result revenue per mat sale decreased due to the lower price point of used mats compared to new mats.

Installation, transportation, service, and other revenue

Installation, transportation, service, and other revenues are driven primarily from the level of activity in the mat rental and mat sale businesses and are charged for separately from rentals and sales. Revenues for the year ended December 31, 2013 were $32.5 million, a decrease of $6.2 million or 16% compared to the same periods in 2012. The decrease in revenue was not as significant as the decrease in sales and rentals due to the offsetting effect of the customer owned mat management work. Currently, matting is managing 120,000 customer owned mats compared to 100,000 for the same period of 2012.

Direct costs

Direct costs for the year ended December 31, 2013 were $43.7 million or 70% of revenue compared to $68.3 million or 75% of revenue for the same period of 2012. Direct costs are driven by the level of business activity and with the decrease in mat sales and rental revenue compared to the same periods of 2012, direct costs have decreased accordingly. In addition, lower costs in the rental operation due to decreased usage of sub rented mats in comparison to the same periods of 2012.

Corporate

Corporate costs are the costs of the head office which include the President and Chief Executive Officer, Chief Financial Officer, Vice President of Health, Safety, and Environment, Vice President of Aboriginal Relations, Corporate Secretary, corporate accounting staff, information technology, and associated costs of supporting a public company. Corporate costs for the year ended December 31, 2013 were $12.4 million, an increase of $1.2 million or 11% compared to the same period in 2012. Corporate costs, as a percentage of total revenue, were relatively consistent at approximately 2.1% for the comparative years.

Other Items

Selling and administrative

Selling and administrative expenses for the year ended December 31, 2013 were $19.0 million, an increase of $1.8 million or 10% compared to the same period for 2012. As a percentage of revenue, selling and administrative expenses were 3.4% compared to 3.3% in 2012.

Depreciation and amortization

	Years ended December 31,		
(000's)	2013	2012	% change
Depreciation of property, plant and equipment	$ 47,623	$ 32,007	49%
Amortization of intangibles	7,060	8,204	(14%)
Total depreciation and amortization	$ 54,683	$ 40,211	36%

Depreciation and amortization costs for the year ended December 31, 2013 were $54.7 million, an increase of $14.5 million or 36% compared to the same period of 2012. The increased depreciation was mainly a result of camp asset additions in 2012 and during the year including camp set-up and installation costs which are depreciated over the term of the contract, generally a shorter time frame than the camp assets. Depreciation related to camp set-up and installation was $7.0 million higher in the year ended December 31, 2013 as compared to the same period of 2012 primarily as a result of camps added in last quarter of 2012 and throughout 2013.

Amortization costs related to customer relationships decreased $1.1 million or 50% as compared to the same period of 2012 as a portion of these assets have now been fully amortized.

Financing costs

Financing costs include interest on loans and borrowings and accretion of notes payable. For the year ended December 31, 2013 financing costs were $3.8 million, an increase of $0.2 million compared to 2012. The increase in financing costs was mainly a result of higher average debt levels in 2013, $93.2 million compared to $83.8 million in 2012. The effective interest rate on loans and borrowings for the year ended December 31, 2013 was 3.6%, consistent with the comparative year.

Income taxes

For the year ended December 31, 2013 income tax expense was $17.0 million, an effective tax rate of 28.6%, compared to $25.8 million, an effective tax rate of 26% in 2012. The decrease in income taxes expense was mainly a result of lower profit before taxes compared to 2012 while the full year effective rate increased slightly as a result of revisions to prior year tax estimates which flowed through the current period.

Gain/Loss on disposal

For the year ended December 31, 2013 Horizon recognized a loss on disposal of $6.2 million compared to a small gain in the comparative period of 2012. The loss on disposal of assets came mainly from the disposal of set-up costs related to the decommissioning of a large camp in the second quarter of 2013, disposal of the Corporation's blast resistant structures business and the sale of ancillary land in the fourth quarter of 2014.

Fourth Quarter Financial Summary

	Three months ended December 31		
(000's except per share amounts)	2013	2012	% Change
Revenue	$ 108,641	$ 138,558	(22%)
EBITDAS[(1)]	15,687	36,039	(56%)
EBITDAS as a % of revenue	14%	26%	
Operating earnings [(1)]	(1,607)	23,390	(107%)
Operating earnings as a % of revenue	(1%)	17%	
Total profit	(2,520)	15,991	(111%)
Total comprehensive income	(2,376)	15,959	(110%)
Earnings per share – basic	(0.02)	0.15	(111%)
– diluted	(0.02)	0.15	(111%)
Total assets	$ 471,115	$ 495,993	(5%)
Long-term loans and borrowings	78,256	116,872	(33%)
Cash from operations	28,726	26,334	9%
Capital spending			
Purchase of capital	34,883	23,378	57%
Proceeds from capital disposals	(3,493)	(3,428)	2%
Net capital spending	31,390	19,950	57%
Debt to total capitalization ratio[(2)]	0.21	0.30	(30%)
Dividends declared	$ 6,880	$ 5,439	
Dividends declared per share	$ 0.0625	$ 0.05	

(1) *EBITDAS (Earnings before finance costs, taxes, depreciation, amortization, gain/loss on disposal of property, plant and equipment, impairment loss and share based compensation) and operating earnings (earnings before finance costs, taxes, impairment loss, and earnings on equity investments) are not recognized measures under IFRS. Management believes that in addition to total profit and total comprehensive income, EBITDAS is a useful supplemental measure as it provides an indication of the Corporation's ability to generate cash flow in order to fund working capital, service debt, pay current income taxes and fund capital programs, and it is regularly provided to and reviewed by the Chief Operating Decision Maker. Operating earnings is a useful supplemental measure as it provides an indication of the results generated by the Corporation's principal business activities prior to consideration of how those activities are financed or taxed. Horizon's method of calculating EBITDAS and operating earnings may differ from other entities and accordingly, may not be comparable to measures used by other entities. EBITDAS and operating earnings should not be construed as alternatives to total profit and total comprehensive income determined in accordance with IFRS as an indicator of the Corporation's performance. For a reconciliation of EBITDAS and operating earnings to total profit and total comprehensive income, please refer to page 11 of the Management's Discussion and Analysis.*

(2) *Debt to total capitalization is calculated as the ratio of debt to total capitalization. Debt is defined as the sum of current and long-term portions of loans and borrowings. Total capitalization is calculated as the sum of debt and shareholders' equity.*

Overview

Horizon's results for the fourth quarter of 2013 were below the comparable quarter of 2012 in all major categories, with revenues, EBITDAS, operating earnings and earnings per share lower. These reductions were driven by lower camp utilization mainly in the open style camps. In addition, matting operations experienced lower activity levels as customer demand for rentals, sales and the associated services decreased in conjunction with colder weather in the quarter.

EBITDAS in the fourth quarter of 2013 decreased compared to the same quarter of 2012 as a result of lower activity levels in the quarter and from maintaining core operating capabilities in the camp rental and catering operations in strategic areas which experienced lower utilization.

Operating earnings and earnings per share decreased in the three months ended December 31, 2013 compared to the same period of 2012 driven by lower EBITDAS, increased depreciation and a loss on disposal of assets. Depreciation increased primarily from the addition of camp set-up and installation costs related to camps added at the end of 2012 and during the year. The loss on disposal was related to the disposal of the Corporation's blast resistant structures business and the disposal of ancillary land in the quarter. All of these factors contributed to an operational loss of $1.6 million and a loss per share of $0.02.

Fourth Quarter Financial Results

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

(000's)	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
	Three months ended December 31, 2012				
Revenue	$ 117,214	$ 24,151	$ -	$ (2,807)	$ 138,558
Expenses					
Direct costs	81,691	18,752	-	(2,688)	97,755
Selling & administrative	1,728	196	2,840	-	4,764
EBITDAS	33,795	5,203	(2,840)	(119)	36,039
EBITDAS as a % of revenue	29%	22%		4%	26%
Share based compensation	379	55	291	-	725
Depreciation & amortization	9,867	2,122	122	(56)	12,055
Gain on disposal of property, plant and equipment	(38)	(80)	(13)	-	(131)
Operating earnings (loss)	$ 23,587	$ 3,106	$ (3,240)	$ (63)	$ 23,390
Finance costs					971
Share of equity accounted investees					504
Income tax expense					5,924
Other comprehensive loss					32
Total comprehensive income					$ 15,959
Earnings per share – basic					$ 0.15
– diluted					$ 0.15

Camps & Catering

Camps & Catering revenue is comprised of camp rental and catering operations revenue, manufacturing sales revenue, space rental revenue and the associated service revenue within each operation.

	Three months ended December 31		
(000's except bed rental days and catering only days)	2013	2012	% change
Camp rental and catering operations revenue	$ 55,138	$ 76,668	(28%)
Manufacturing sales	39,942	38,019	5%
Space rental	2,747	2,527	9%
Total revenue	$ 97,827	$ 117,214	(17%)
EBITDAS	$ 15,905	$ 33,795	(53%)
EBITDAS as % of revenue	16%	29%	
Operating earnings	$ 627	$ 23,587	(97%)
Bed rental days[(1)]	384,496	433,832	(11%)
Catering only days[(2)]	27,128	58,794	(54%)

(1) One bed rental day represents the provision of one bed for one day under a combined rental and catering manday rate, or the provision of one bed for one day under an equipment rental rate for dedicated camp equipment.

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

Revenues from the Camps & Catering segment were $97.8 million for the three months ended December 31, 2013, a decrease of $19.4 million or 17% compared to the same period of 2012. EBITDAS for the three months ended December 31, 2013 were $15.9 million, a decrease of $17.9 million or 53% compared to the same period of 2012.

The decrease in revenue for the three months ended December 31, 2013 was attributable to lower levels of activity compared to the same period of 2012. The majority of the decline in activity was related to low utilization at several large open style camps as demand for beds in the area did not materialize as expected. Lower camp rental and catering operations revenue overshadowed the increased revenues in both manufacturing sales and space rentals.

Horizon's revenues in the Camps & Catering segment continue to be driven by Alberta oil sands activity with 61% of revenues generated from oil sands compared to 63% in the same period of 2012. Additionally, natural gas exploration and development activities started to grow with Horizon increasing its exposure through the last half of 2013.

Camp rental and catering operations revenue

Revenues are derived from the following main business areas: large camp operations, drill camp operations, catering only operations, and the associated service work within each operation. Service work includes the transportation, set-up and de-mobilization of camp and catering projects. Revenues from camp and catering operations were $55.1 million for the three months ended December 31, 2013 compared to $76.7 million for the three months ended December 31, 2012, a decrease of $21.6 million or 28%.

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

(000's for revenue only)	Three months ended December 31 2013 Large camp	2013 Drill camp	2013 Total	2012 Large camp	2012 Drill camp	2012 Total
Revenue	$ 40,396	$ 3,570	$ 43,966	$ 59,718	$ 3,925	$ 63,643
Bed rental days[(1)]	362,986	21,510	384,496	410,456	23,376	433,832
Revenue per bed rental day	$111	$166	$114	$145	$168	$147
Rentable beds at period end	7,059	882	7,941	6,905	871	7,776
Average rentable beds available[(2)]	6,977	871	7,848	6,897	836	7,733
Utilization[(3)]	57%	27%	53%	65%	30%	61%

(1) One bed rental day represents the provision of one bed for one day under a combined rental and catering manday rate, or the provision of one bed for one day under an equipment rental rate for dedicated camp equipment.

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

(3) Utilization equals the total number of bed rental days divided by average rentable beds available in the quarter.

Revenues from large camp operations for the three months ended December 31, 2013 decreased $19.3 million or 32% compared to the same period in 2012. The decrease was primarily driven by lower volumes at several of the large open style camps.

Bed rental days in the fourth quarter of 2013 were 362,986, a decrease of 47,470 days or 12% compared to the same period of 2012. Bed utilization for the three months ended December 31, 2013 was 57%, down from 65% in the same period of 2012. This decrease was due to lower than anticipated volumes throughout the fourth quarter of 2013 at several larger open style camps and a larger fleet.

Revenue per bed rental day was $111, a decrease of $34 or 23% per bed day. This decrease is driven by the mix of contracts and a higher number of split rate contracts in place in the fourth quarter of 2013 as compared to the same period of 2012. Under the split rate contract beds are considered 100% utilized as the customer has contracted the beds and pays a separate rate for the catering and camp management services. The remainder of the decrease was due to slightly lower rates at the open style of camps.

Revenues from drill camp operations for the three months ended December 31, 2013 decreased by $0.3 million or 8% compared to the same period of 2012. Revenue decreased primarily as a result of lower volumes as there were fewer drill camps operating in the fourth quarter of 2013 compared to the same period of 2012.

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

(000's for revenue only)	Three months ended December 31 2013	2012
Catering only revenue	$ 3,364	$ 6,119
Catering only days[(1)]	27,128	58,794
Revenue per catering only day	$124	$104

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

Revenues from the provision of catering and housekeeping only services, with no associated bed rentals, decreased $2.7 million or 44% for the three months ended December 31, 2013 as compared to same period of 2012. The decreased revenues were mainly a result of lower volumes in the catering only for customer owned drill camps. The increase in revenue per catering day was additional services requested by the customer and the mix of contracts compared to the same period of 2012.

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

	Three months ended December 31	
(000's)	2013	2012
Camp and catering operations service related revenue	$ 7,808	$ 6,906

Service revenues are related to the transportation, set-up and de-mobilization of relatively short term camps for customers. Revenue increased by $0.9 million or 13% primarily as a result of the timing of projects in the comparative quarter.

Manufacturing sales

Manufacturing sales revenues include the in-plant construction, transportation and installation of camps sold to third parties. Revenues for the three months ended December 31, 2013 were $39.9 million as compared to $38.0 million for the same period in 2012, an increase of $1.9 million or 5%.

Actual direct manufacturing hours were 192,300 hours for the three months ended December 31, 2013 as compared to 188,123 in the comparative period, an increase of 4,177 hours or 3%. Of total direct hours in the fourth quarter of 2013, 22% were allocated to external sales compared to 43% in the fourth quarter of 2012. While the majority of in-plant manufacturing capacity was focused on internal rental fleet build, which does not generate external revenue, installation activities in the quarter were focused on a large project for a major oil sands operator which more than offset this difference to result in similar revenue levels in the comparative quarters.

Manufacturing production capacity is regularly reviewed by management to determine the allocation of production required to meet external third party sales contracts and internal fleet requirements.

Space rental revenues

Space rental revenues for the three months ended December 31, 2013 were $2.7 million as compared to $2.5 million for the same period in 2012, an increase of $0.2 million or 8%. The increase in revenue was primarily generated by the mix of contracts in the comparative quarter with utilization relatively consistent quarter over quarter at 81%.

Direct costs

Direct costs for the three months ended December 31, 2013 were $80.5 million or 82% of revenue as compared to $81.7 million or 70% of revenue for the same period of 2012. Direct costs are closely related to business activities as well as the mix of those activities. The decrease in direct costs reflects the lower activity levels in the camp rental and catering operations. As a percentage of revenue, direct costs were 82% as compared to 70% in the same period of 2012 which reflects the difference in the mix of volumes with manufacturing making up 41% of revenue in the fourth quarter of 2013 compared to 32% in the same period of 2012.

Matting

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

	Three months ended December 31		
(000's except mat rental days and numbers of mats)	2013	2012	% change
Access mat rental revenue[1]	$ 3,027	$ 2,919	4%
Other mat and rental equipment revenue[2]	$ 868	$ 888	(2%)
Total mat and rental equipment revenue	$ 3,895	$ 3,807	2%
Mat sales revenue	2,124	10,893	(81%)
Installation, transportation, service, and other revenue	5,412	9,451	(43%)
Total revenue	$ 11,431	$ 24,151	(53%)
EBITDAS	$ 3,036	$ 5,203	(42%)
EBITDAS as a % of revenue	27%	22%	
Operating earnings	$ 1,352	$ 3,106	(56%)
Access mat rental days – owned mats[3]	877,053	777,350	13%
Access mat rental days – third party mats[4]	361,377	263,808	37%
Total access mat rental days	1,238,430	1,041,158	19%
Average owned access mats in rental fleet[5]	16,845	14,190	19%
Average sub rental access mats in rental fleet[6]	3,930	2,866	37%
Access mats in rental fleet at quarter end[7]	16,392	13,714	20%
Mats sold:			
New mats	494	13,910	(96%)
Used Mats	3,464	992	249%
Total mats sold	3,958	14,902	(73%)

(1) Access mat rental revenue includes revenues generated from the rental of traditional oak and oak edged mats.
(2) Other mat rental equipment revenue includes the rental of rig mats, quad mats and other ancillary equipment such as well site accommodation units and light towers.
(3) One mat rental day equals the rental of one owned access mat for one day.
(4) One mat rental day equals the rental of one third party sub rented access mat for one day.
(5) Average access mat rental fleet numbers reflect only owned access mats.
(6) Average sub rental access mats is the average number of non-owned access mats in the rental fleet. These mats are rented from third parties on a short term basis.
(7) Access mats in rental fleet at quarter end represents the number of owned access mats in the Matting fleet on December 31, 2013.

Revenues from the Matting segment for the three months ended December 31, 2013 were $11.4 million as compared to $24.2 million for the same period of 2012, a decrease of $12.7 million or 53%. EBITDAS for the three months ended December 31, 2013 were $3.0 million or 27% of revenue as compared to $5.2 million or 22% of revenue for the same period of 2012, a decrease of $2.2 million or 42%.

Mat and equipment rental revenue

Mat rental revenues remained consistent in the comparative quarters as increased activity levels were offset by lower revenues per mat rental day. Mat rental days in the three months ended December 31, 2013 increased by 197,272 or 19% compared to the same period of 2012. Utilization of the owned mat rental fleet was slightly lower at 57% in the fourth quarter of 2013 compared to 60% for the same period of 2012 due to the mix of third party mats deployed and the larger owned fleet size. Revenue per mat rental day was $2.44 for the three months ended December 31, 2013 compared to $2.80 for the same period of 2012 as a result of the mix of contracts in place and competitive factors.

Mat sales revenue

Revenues from mat sales for the three months ended December 31, 2013 were $2.1 million, down $8.8 million or 81% compared the same period of 2012. The decrease is reflective of moderating customer requirements driven by colder than expected weather which affected the timing of projects. The mix of new and used mats shifted with a higher proportion of used mats sales in the fourth quarter of 2013 compared to the same period of 2012. The change in sales mix decreased revenue per mat in the comparative quarters as used mats typically sell for less than new mats.

Installation, transportation, service, and other revenue

Installation, transportation, service, and other revenues are driven primarily from the level of activity in the mat rental and mat sale businesses and are charged for separately from rentals and sales. Revenues for the three months ended December 31, 2013 were $5.4 million, a decrease of $4.0 million or 43%. The decrease is mainly reflective of the lower activity levels in the fourth quarter of 2013 compared to the same period of 2012.

Direct costs

Direct costs for the three months ended December 31, 2013 were $8.2 million or 72% of revenue as compared to $18.8 million or 78% of revenue for the same period of 2012. Direct costs are driven by the level and mix of business activity and the large decrease in new mat sales drove direct costs significantly lower in the comparative quarters. Direct costs as a percentage of revenue decreased from 78% to 72% for the three months ended December 31, 2013 as compared the same period of 2012. The decrease is primarily a result of the mix of business activity in the comparative quarters, the fourth quarter of 2013 had significantly lower mat sales compared to 2012 and mat sales generally have higher material directs costs than rentals.

Corporate

Corporate costs are the costs of the head office which include the President and Chief Executive Officer, Chief Financial Officer, Vice President of Health, Safety, and Environment, Vice President of Aboriginal Relations, Corporate Secretary, corporate accounting staff, and associated costs of supporting a public company. Corporate costs for the three months ended December 31, 2013 were $3.3 million compared to $2.8 million in the same period in 2012. Corporate costs, as a percentage of total revenue, were 3.0% compared to 2.0% for the same period of 2012. The increased percentage is reflective of the lower revenue in the fourth quarter of 2013 compared to the same period of 2012.

Other Items

Selling and administrative

Selling and administrative expenses were $4.9 million for the three months ended December 31, 2013, relatively unchanged compared to the same quarter of 2012. As a percentage of revenue, selling and administrative expenses were 4.5% in 2013 compared to 3.4% in 2012 as a result of the lower revenue in the fourth quarter of 2013 compared to the same period of 2012.

Depreciation and amortization

	Three months ended December 31,		
(000's)	2013	2012	% change
Depreciation of property, plant and equipment	$ 12,688	$ 10,004	27%
Amortization of intangibles	907	2,051	(56%)
Total depreciation and amortization	$ 13,595	$ 12,055	13%

Depreciation and amortization costs for the three months ended December 31, 2013 were $13.6 million as compared to $12.1 million in the same period of 2012. Depreciation increased by $2.7 million or 27% in the comparative quarters primarily as a result of camp asset additions which include camp set-up and installation costs. Camp set-up and installation costs are depreciated over the term of the contract, generally a shorter time frame than the camp assets. Depreciation related to the camp set-up and installation was $2.0 million higher in the fourth quarter of 2013 as compared to the same period of 2012 due to a large camp set-up in the fourth quarter of 2013.

Amortization costs related to customer relationships decreased $1.1 million or 56% as compared to the same period of 2012 as a portion of these assets have now been fully amortized.

Financing costs

Financing costs include interest on loans and borrowings and accretion of notes payable. For the three months ended December 31, 2013 financing costs were $0.8 million as compared to $1.0 million in the same period of 2012, a decrease of $0.2 million as a result of lower average debt of $59.2 million for the three months ended December 31, 2013 compared to $105.1 million in the same period of 2012. The effective interest rate in the fourth quarter of 2013 was 3.6%, essentially unchanged from the comparative period of 2012.

Income taxes

Income tax expense was $0.1 million, an effective tax rate of 5%, for the three months ended December 31, 2013 as compared to a tax expense of $5.9 million, an effective rate of 27% for the same period of 2012. The tax expense and effective tax rate in the fourth quarter of 2013 was a result of the operating loss before tax.

Gain/Loss on disposal

For the three months ended December 31, 2013, Horizon incurred a loss on disposal of $3.2 million compared to a slight gain in the comparative period of 2012. The loss on disposal was related to the disposal of the Corporation's blast resistant structures business and the disposal of ancillary land in the quarter.

Liquidity and Capital Resources

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

(000's)	December 31, 2013	December 31, 2012
Current assets	$ 113,608	$ 149,166
Current liabilities excluding loans and borrowings[(1)]	60,408	72,760
Current portion of loans and borrowings	1,496	1,416
Current liabilities	61,904	74,176
Working capital[(2)]	$ 51,704	$ 74,990
Bank borrowing:		
Available bank lines	$ 150,000	$ 150,000
Drawings on credit facility	70,756	108,247
Borrowing capacity[(3)]	$ 79,244	$ 41,753

(1) Calculated as the sum of trade and other payables, deferred revenue and income taxes payable.
(2) Calculated as current assets less current liabilities.
(3) Calculated as available bank lines less drawings on credit facility.

Working capital at December 31, 2013 was $51.7 million as compared to $75.0 million at December 31, 2012, a decrease of $23.3 million. The change in working capital was primarily due to a significant improvement in accounts receivable balances in combination with softer revenue in the three months ended December 31, 2013 as compared to the same period of 2012.

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 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.

At December 31, 2013 the Corporation was in compliance with its debt covenants as shown below:

Debt Covenants	December 31, 2013
Debt [(1)] to EBITDAS [(2)(3)] – must be less than 2.0:1	0.6:1
Interest coverage[(4)] – must be greater than 3.0:1	37.3:1

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

(2) 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. For a reconciliation of EBITDAS to net earnings, please refer to page 3 of the Management's Discussion and Analysis.

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

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

Capital Spending

During the year ended December 31, 2013, the Corporation spent $90.1 million on capital asset additions as compared to $139.3 million in the same period of 2012. Capital spending was concentrated on rental fleet expansion and replacement to meet demand in the Camps & Catering segment in addition to moderate maintenance capital. Management evaluates and manages its capital spending plans taking into account proceeds from disposals for year of $26.9 million, resulting in net capital spending for the year ended December 31, 2013 of $63.2 million.

Quarterly Summary of Results

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

	Three months ended				Year ended
(000's except per share amounts)	March 2012	June 2012	September 2012	December 2012	December 2012
Revenue	$ 128,597	$ 139,551	$ 119,910	$ 138,558	$ 526,616
EBITDAS	34,445	40,463	34,080	36,039	145,027
Operating earnings	26,080	30,056	23,232	23,390	102,758
Total profit	18,861	21,769	16,262	15,102	72,883
Total comprehensive income	18,792	21,854	16,328	15,969	72,933
Earnings per share – basic	$ 0.18	$ 0.20	$ 0.15	$ 0.15	$ 0.67
Earnings per share – diluted	$ 0.17	$ 0.20	$ 0.15	$ 0.15	$ 0.66

As a company providing services to the resource sector, Horizon's performance is highly correlated to activity levels in that sector which are sensitive to the price of oil and minerals. Over the previous eight quarters the price of oil and minerals has had some variability and these fluctuations have flowed into Horizon's results for 2012 and 2013. Throughout the last eight quarters Horizon continued to expand its manufacturing capacity and invest in fleet capital to take advantage of the activity levels particularly in the Alberta oil sands area.

Risks and Uncertainties

Volatility of Oil, Natural Gas and Mining Industry Conditions

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

Current global economic events and uncertainty have the potential to significantly impact commodity pricing and, as such, change the economic feasibility of industry development projects. No assurance can be given that expected trends in oil and natural gas and mineral production activities will continue or that demand for services provided by Horizon will reflect the level of activity in the industry. Any prolonged substantial reduction in oil and natural gas and mineral prices would likely affect activity levels in these industries and therefore affect the demand for the services provided by Horizon.

Competition

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

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

Credit Risk

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

Additional Funding Requirements

Horizon'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 prevent further growth of 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.

Labour Relations

The largest component of Horizon's overall expenses is salaries, wages, benefits and payments to employees, agents and contractors. Any significant increase in these expenses could impact the financial results of Horizon. 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.

Agreements and Contracts

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

Significant Customers

The Corporation had one major customer in 2013 which was in the Camps & Catering segment and generated 24% of total revenues. This compares to two different major customers in 2012 who generated 37% of total revenue. 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.

Reliance on Key Personnel

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

Camp Permits

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

Government Regulation

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

Environmental Regulation

The Government of Canada and provincial governments in areas where Horizon does business have been working through various forms of regulation and legislation focused on climate change and greenhouse gas emissions. Future federal legislation, together with provincial emission reduction requirements may require the reduction of emissions or emissions intensity from Horizon's operations and facilities and those of its customers. A number of Horizon's customers are involved in the oil and gas exploration and development industry, with specific focus on oil sands related projects. Focus and scrutiny has recently intensified on oil sands development, which could lead to incremental environmental regulation or legislation.

Potential changes in requirements may result in increased operating costs and capital expenditures for oil and gas and mining industry participants, thereby delaying or decreasing the demand for Horizon's services.

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

Aboriginal Relationships

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

Seasonal Operations

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 typically busiest in the spring and summer months of April through September when soft ground conditions hinder the movement of heavy equipment.

Other Risks

Due to the nature of Horizon'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.

Changes in Accounting Policies

As at January 1, 2013, the Company changed certain accounting policies as a result of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interest in Other Entities, as well as the consequential amendment to IAS 28 Investments in Associates and Joint Ventures (2011), IFRS 13 Fair Value Measurement and IFRS 7 Amendments to Financial Instrument Disclosures. The adoption of these standards had no impact on the amounts recorded in the financial statements as at January 1, 2013.

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2013, and have not been applied in preparing these consolidated financial statements. The Corporation intends to adopt the amendments to IAS 32 in its financial statements for the annual period beginning January 1, 2014. The Corporation does not expect the amendments to have a material impact on the financial statements.

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 International Financial Reporting Standards (IFRS). The presentation of these financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of provisions at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates and judgments are based on historical experience and on various assumptions that are believed to be reasonable under the circumstances. Anticipating future events cannot be done with certainty, therefore these estimates may change as new events occur, more experience is acquired and as the Corporation's operating environment changes.

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

Revenue recognition

The Corporation uses the percentage-of-completion method in accounting for its construction contract revenue. Use of the percentage-of-completion method requires estimates of the stage of completion of the contract to date as a proportion of the total contract work to be performed in accordance with the accounting policy set out in the notes to the consolidated financial statements.

Asset Retirement Obligations

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

Financial Instruments and Risk Management

(a) Overview

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

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

(b) Credit risk

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

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

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

(000's)	December 31, 2013	December 31, 2012
Neither impaired nor past due	$ 29,370	$ 44,337
Impaired	65	495
Outstanding 31-60 days	15,826	38,313
Outstanding 61-90 days	4,001	16,800
Outstanding more than 90 days	2,073	13,126
Total	51,335	113,071
Allowance for doubtful accounts	(65)	(495)
Accrued revenue	38,659	19,439
Other receivables	927	1,180
Total trade and other receivables	$ 90,856	$ 133,195

In the twelve months ended December 31, 2013, the Corporation provided an allowance for $368,000 of receivables aged greater than 90 days and collected $218,000 that had previously been allowed for. The Corporation also applied $580,000 of allowance for doubtful accounts against the associated receivable balance. As at February 19, 2014, the Corporation has collected $1,216,000 on amounts outstanding more than 90 days.

(c) Liquidity risk

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

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.

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

	December 31, 2013		December 31, 2012	
	Trade and other payables(1)	Loans and borrowings(2)	Trade and other payables(1)	Loans and borrowings(2)
Year 1	$ 56,961	$ 1,496	$ 72,172	$ 1,416
Year 2	-	7,500	-	1,543
Year 3	-	70,756	-	115,329
Year 4	-	-	-	-
Year 5 and beyond	5,656	-	1,364	-
	$ 62,617	$ 79,752	$ 73,536	$ 118,288

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

(2) Loans and borrowings include non-interest bearing notes payable and Horizon's senior secured revolving term facility. Cash flows of Horizon's note payable have been recorded according to estimated utilization of specific equipment.

(d) Market risk

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

(i) Foreign currency exchange risk

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

As the foreign currency exchange risks are primarily based on realized foreign exchange differences, the following sensitivity analysis is to determine the impact on cash generated in operating activities. The effect of a $0.01 increase in the USD/CAD exchange rate would decrease cash generated in operating activities for the year ended December 31, 2013 by approximately $182,500 (December 31, 2012 - $261,000). This assumes that the quantity of USD purchases and the foreign operations in the year remain unchanged and that the change in the USD/CAD exchange rate is effective from the beginning of the year.

(ii) Interest rate risk

The Corporation is exposed to interest rate risk as changes in interest rates may affect interest expense and future cash flows. The primary exposure is related to the Corporation's revolving credit facility which bears interest at a rate of prime plus 1.00%. If prime were to have increased by 1.00%, it is estimated that the Corporation's net earnings would have decreased by approximately $933,500 for the year ended December 31, 2013 (December 31, 2012 – $841,000). This assumes that the amount and mix of fixed and floating rate debt in the year ended December 31, 2013 remains unchanged and that the change in interest rates is effective from the beginning of the year.

Outstanding Shares

Horizon had 110,084,884 voting common shares issued and outstanding with a book value of $183,851,000 or $1.67 per share as at December 31, 2013.

Off Balance Sheet Financing

Horizon has no off balance sheet financing.

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

Disclosure Controls & Procedures

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

As at December 31, 2013, 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 this evaluation, the CEO and CFO have concluded that, as at December 31, 2013 Horizon's DC&P, as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, were effective.

Throughout 2013, Horizon focused on continuous improvement and improved execution of its DC&P. Horizon will continue to evaluate its DC&P making modifications from time-to-time as deemed necessary. There were no changes in Horizon's DC&P that occurred during the period ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, Horizon's DC&P.

Internal Controls over Financial Reporting

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

Horizon's ICFR include, but are not limited to, policies and procedures addressing:

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

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

As at December 31, 2013, an evaluation was carried out, under the supervision of the CEO and the CFO, of 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 concluded that the design and operating effectiveness of Horizon's ICFR was effective as of December 31, 2013.

Throughout 2013 Horizon focused on continuous improvement and improved execution of its ICFR. Horizon will continue to evaluate its ICFR making modifications from time-to-time as deemed necessary. There were no changes in Horizon's ICFR that occurred during the period ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, Horizon's ICFR.

Limitations on the Effectiveness of Disclosure Controls and Procedures and Internal Control over Financial Reporting

Because of their inherent limitations, DC&P and ICFR may not prevent or detect misstatements, errors or fraud. Control systems, no matter how well conceived or implemented, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met.

Related parties

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. All outstanding balances are to be settled with cash, and none of the balances are secured.

(000's)	December 31, 2013	December 31, 2012
Equity accounted investees		
Purchases	$ -	$ 2
Sales	164	1,211
Recovery of administrative overhead	-	-
Included in accounts receivable	505	164
Joint venture		
Purchases	$ -	$ -
Sales	-	8
Recovery of administrative overhead	30	30
Included in accounts receivable	-	-
Key management personnel interests		
Purchases	$ -	$ (17)
Sales	947	1,261
Included in accounts receivable	395	271
Included in accounts payable	-	-

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

Advisories

This Management's Discussion and Analysis, prepared as at February 19, 2014 focuses on key statistics from the Condensed Consolidated Interim Financial Statements and pertains to known risks and uncertainties relating to the business carried on by Horizon North Logistics Inc. (the "Corporation" or "Horizon"). This discussion should not be considered all-inclusive, as it does not attempt to include changes that may occur in general economic, political and environmental conditions. Additional information related to the Corporation, including the Corporation's annual information form, is available on SEDAR at www.sedar.com. Unless otherwise indicated, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and the reporting currency is in Canadian dollars.

Caution Regarding Forward-Looking Information and Statements

Certain statements contained in 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 statements that "After a very soft quarter to end 2013, activity levels have improved to start 2014. In the camp rental and catering business, activity levels are slightly ahead of where they were last year at this time. The matting business is also seeing rental and sales levels similar to last year at this time with increases expected as spring break up approaches", "The manufacturing sales revenue stream is typically the most variable component of Horizon's operation, with manufacturing capacity currently 45% booked for 2014. By comparison, at this point in 2013 75% of Horizon's manufacturing capacity was under contract. Horizon expects visibility regarding its manufacturing capacity for the second half of 2014 to continue to improve and is encouraged by a continued strong bidding pipeline that relates to oil sands projects, infrastructure projects and LNG development in British Columbia" and "The macro fundamentals of the workforce accommodation and matting businesses continue to be sound. Oil sands investment is forecasted to be near $30 billion per year for the foreseeable future and Canada's LNG projects are progressing with reserve delineation drilling occurring in the north eastern British Columbia gas fields. Anticipated announcements pertaining to provincial LNG/natural gas tax structures should facilitate project proponents making final investment decisions on gas liquefaction plant construction."

The foregoing statements are based on the assumption that oil sands development in Alberta and other resource development in western Canada will strengthen. Many factors could cause the performance or achievements of Horizon to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

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