This Management's Discussion and Analysis ("MD&A"), prepared as at July 30, 2013, 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. ("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.

Second Quarter Highlights

- Record consolidated quarterly revenues boosted by strong manufacturing sales;
- Second quarter matting revenues declined by $10 million year over year due to timing of customer projects and wet weather;
- Lower EBITDAS due to revenue mix and wet weather impacting operations in Q2 2013;
- Earnings per share impacted by write off of $4.5 million in camp set-up costs related to asset re-deployment during the quarter;
- Continued capital investment, exiting the quarter with 8,775 rentable beds and 19,678 rental mats, an increase of 28% and 29% respectively compared to the same quarter of 2012.

Second Quarter Financial Summary

	Three months ended June 30			Six months ended June 30		
(000's except per share amounts)	2013	2012	% Change	2013	2012	% Change
Revenue	$ 148,426	$ 139,551	6%	$ 288,385	$ 268,148	8%
EBITDAS[(1)]	32,708	40,463	(19%)	69,341	74,908	(7%)
EBITDAS as a % of revenue	22%	29%		24%	28%	
Operating earnings[(1)]	14,257	30,056	(53%)	37,466	56,136	(33%)
Total comprehensive income	9,986	21,854	(54%)	26,370	40,646	(35%)
Earnings per share – basic	$ 0.09	$ 0.20	(55%)	$ 0.24	$ 0.38	(37%)
– diluted	$ 0.09	$ 0.20	(55%)	$ 0.24	$ 0.37	(35%)
Total assets	499,135	428,494	16%	499,135	428,494	16%
Long-term loans and borrowings	121,516	86,161	41%	121,516	86,161	41%
Funds from operations[(2)]	25,195	30,422	(17%)	54,341	57,845	(6%)
Capital spending	18,332	35,346	(48%)	39,584	69,523	(43%)
Debt to total capitalization ratio[(3)]	0.30	0.26	15%	0.30	0.26	15%
Dividends declared	$ 6,839	$ 5,407	26%	$ 13,646	$ 10,799	26%
Dividends declared per share	$ 0.0625	$ 0.05	25%	$ 0.0625	$ 0.05	25%

(1) EBITDAS (Earnings before finance costs, taxes, depreciation, amortization, gain/loss on disposal of property, plant and equipment, and share based compensation) and operating earnings (earnings before finance costs, taxes 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 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 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 comprehensive income, please refer to page 3 of the Management's Discussion and Analysis.

(2) Funds from operations is not a recognized measure under IFRS. 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 IFRS 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, interest and income taxes paid, financing costs, and income tax expense.

(3) 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

The second quarter of 2013 was impacted by several significant factors. Operational challenges were faced by many of Horizon's customers due to extremely wet site conditions in northern Alberta, including the Fort McMurray and Fox Creek areas. Difficult site conditions significantly slowed or halted progress on projects somewhat reducing activity in comparison to the first quarter of 2013. In addition, as a result of Horizon's continuous evaluation of asset utilization, a large camp was closed in the second quarter of 2013 in order to relocate the beds and make more effective use of the assets. In the matting operations, lower than anticipated customer activity and changing project timelines led to decreased revenues in the quarter and year to date. Lastly, Manufacturing Sales secured the sale of a 325 bed camp to a large mining operator in Northern Canada. The camp will be provided using a combination of existing assets and newly manufactured equipment and includes the associated transportation and installation services.

Revenue for the three and six months ended June 30, 2013 increased by 6% and 8% respectively compared to the same period of 2012. The increase was mainly due to the larger bed fleet in camps & catering and a strong second quarter for manufacturing sales including a portion of the used camp sale mentioned above.

EBITDAS decreased in the three and six months ended June 30, 2013 compared to the same periods of 2012. The mix of revenue in the comparative periods shifted with a larger proportion of revenue generated from manufacturing sales operations in 2013 which typically has lower margins than camp rental and catering operations. In 2012, both revenue and EBITDAS included a $5.1 million end of contract billing for minimum utilization over the term of a particular contract in excess of actual utilization.

Operating earnings decreased in the three and six months ended June 30, 2013 compared to the same periods of 2012. Depreciation costs have increased as a result of the 2012 capital program, which included a significant amount of camp set-up related costs. These costs are depreciated over a shorter duration than the typical camp equipment. Additionally, the closure and movement of a large camp, mentioned above, during the second quarter of 2013 resulted in a loss on disposal of related camp set-up costs.

Outlook

With the second quarter behind us, Horizon anticipates a significant amount of fleet to be in transition throughout the third quarter keeping revenue per manday and utilization rates similar to the second quarter 2013. Manufacturing is now fully booked through 2013 and this strength will help offset some third quarter softness in camps and catering and matting. Increasing clarity to customers' project timelines indicates momentum building in the fourth quarter. Oil sands development activities, driven primarily by SAGD projects, continue to be the main driver of Horizon's growth with oil sands activity accounting for 61% of Horizon's consolidated revenues for the first half of 2013.

The $80 million capital program which anticipates adding 1,000 beds to the camp and catering fleet is on track.

Dividend payment

Horizon North Logistics Inc. announced today that its Board of Directors has declared a dividend for the second quarter of 2013 at $0.0625 per share. The dividend is payable to shareholders of record at the close of business on September 30, 2013 to be paid on October 11, 2013. The dividends are eligible dividends for Canadian tax purposes.

Second Quarter Financial Results

	Three months ended June 30, 2013				
(000's)	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	$ 134,942	$ 14,956	$ -	$ (1,472)	$ 148,426
Expenses					
Direct costs	101,716	10,668	(1)	(1,464)	110,919
Selling & administrative	1,505	140	3,154	-	4,799
EBITDAS	31,721	4,148	(3,153)	(8)	32,708
EBITDAS as a % of revenue	24%	28%	-	1%	22%
Share based payments	178	38	179	-	395
Depreciation & amortization	11,584	2,144	137	(52)	13,813
Loss (gain) on disposal of property, plant and equipment	4,301	(1)	(57)	-	4,243
Operating earnings (loss)	$ 15,658	$ 1,967	$ (3,412)	$ 44	$ 14,257
Finance costs					1,081
Share of equity accounted investees					-
Income tax expense					3,053
Other comprehensive income					137
Total comprehensive income					$ 9,986
Earnings per share – basic					$ 0.09
– diluted					$ 0.09

	Three months ended June 30, 2012				
(000's)	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	$ 117,616	$ 25,232	$ -	$ (3,297)	$ 139,551
Expenses					
Direct costs	78,849	18,918	(1)	(3,174)	94,592
Selling & administrative	1,639	153	2,704	-	4,496
EBITDAS	37,128	6,161	(2,703)	(123)	40,463
EBITDAS as a % of revenue	32%	24%	-	4%	29%
Share based payments	339	52	262	-	653
Depreciation & amortization	7,396	2,152	130	(38)	9,640
Loss (gain) on disposal of property, plant and equipment	142	(28)	-	-	114
Operating earnings (loss)	$ 29,251	$ 3,985	$ (3,095)	$ (85)	$ 30,056
Finance costs					849
Share of equity accounted investees					19
Income tax expense					7,419
Other comprehensive income					(85)
Total comprehensive income					$ 21,854
Earnings per share – basic					$ 0.20
– diluted					$ 0.20

Financial Results (continued)

(000's)	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
	Six months ended June 30, 2013				
Revenue	$ 260,859	$ 31,188	$ -	$ (3,662)	$ 288,385
Expenses					
Direct costs	190,326	22,738	-	(3,631)	209,433
Selling & administrative	2,960	316	6,335	-	9,611
EBITDAS	67,573	8,134	(6,335)	(31)	69,341
EBITDAS as a % of revenue	26%	26%	-	1%	24%
Share based payments	536	89	456	-	1,081
Depreciation & amortization	22,353	4,185	273	(103)	26,708
Loss (gain) on disposal of property, plant and equipment	4,164	(21)	(57)	-	4,086
Operating earnings (loss)	$ 40,520	$ 3,881	$ (7,007)	$ 72	$ 37,466
Finance costs					2,196
Share of equity accounted investees					-
Income tax expense					8,638
Other comprehensive income					262
Total comprehensive income					$ 26,370
Earnings per share – basic					$ 0.24
– diluted					$ 0.24

(000's)	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
	Six months ended June 30, 2012				
Revenue	$ 230,543	$ 43,570	$ -	$ (5,965)	$ 268,148
Expenses					
Direct costs	157,403	32,773	-	(5,574)	184,602
Selling & administrative	2,652	264	5,722	-	8,638
EBITDAS	70,488	10,533	(5,722)	(391)	74,908
EBITDAS as a % of revenue	31%	24%	-	7%	28%
Share based payments	373	63	307	-	743
Depreciation & amortization	13,828	3,909	244	(61)	17,920
Loss (gain) on disposal of property, plant and equipment	137	(28)	-	-	109
Operating earnings (loss)	$ 56,150	$ 6,589	$ (6,273)	$ (330)	$ 56,136
Finance costs					1,543
Share of equity accounted investees					(27)
Income tax expense					13,990
Other comprehensive income					(16)
Total comprehensive income					$ 40,646
Earnings per share – basic					$ 0.38
– diluted					$ 0.37

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.

(000's except bed rental days and catering only days)	Three months ended June 30 2013	2012	% change	Six months ended June 30 2013	2012	% change
Camp rental and catering operations revenue	$ 63,248	$ 60,788	4%	$ 144,453	$ 136,531	6%
Manufacturing sales	68,736	54,036	27%	111,010	87,350	27%
Space rental revenues	2,958	2,792	6%	5,396	6,662	(19%)
Total revenue	$ 134,942	$ 117,616	15%	$ 260,859	$ 230,543	13%
EBITDAS	$ 31,721	$ 37,128	(15%)	$ 67,573	$ 70,488	(4%)
EBITDAS as a % of revenue	23.5%	31.6%		25.9%	30.6%	
Operating earnings	$ 15,658	$ 29,251	(46%)	$ 40,520	$ 56,150	(28%)
Bed rental days(1)	449,165	250,403	79%	934,986	587,577	59%
Catering only days(2)	45,100	53,697	(16%)	101,751	126,216	(19%)

(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 three and six months ended June 30, 2013 were $134.9 million and $260.9 million respectively, an increase of $17.3 million or 15% and $30.3 million or 13% compared to the same periods of 2012. EBITDAS for the three and six months ended June 30, 2013 were $31.7 million and $67.6 million, a decrease of $5.4 million or 15% and $2.9 million or 4% respectively compared to the same periods of 2012. Included in 2012 revenue and EBITDAS for the three and six months ended June 30, was a payment of $5.1 million representing an end of contract billing for minimum utilization over the term of a particular contract in excess of the actual utilization. Excluding this 2012 payment, revenues increased by $22.4 million or 20% and $35.4 million or 16% for the three and six months ended June 30 as compared to the same periods in 2012. EBITDAS when excluding the 2012 $5.1 million payment were consistent for the comparative quarters and increased by $2.2 million or 3% for the comparative six months ended June 30.

Horizon's revenues in the Camps & Catering segment for the comparative periods were primarily driven from being significantly tied to Alberta oil sands activity. During the second quarter of 2013 a significant portion of manufacturing sales and service was focused on the manufacture and installation of a large project in the oil sands region while the camp and catering operations in the comparative quarter operated an average of 2,222 additional fleet beds with the majority of those incremental beds being located in the Alberta oil sands region on SAGD projects.

Camp rental and catering operations revenue

Revenues are derived from the following main business areas: large camp operations, drill camp operations, catering only operations, barge camp rental, ancillary equipment rental 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 rental and catering operations were $63.2 million for the three months ended June 30, 2013 compared to $60.8 million for the three months ended June 30, 2012, an increase of $2.5 million or 4%. Year to date, revenues increased $7.9 million or 6%.

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

	Three months ended June 30					
(000's for revenue only)	2013			2012		
	Large camp	Drill camp	Total	Large camp	Drill camp	Total
Revenue	$ 52,924	$ 2,656	$ 55,580	$ 49,363	$ 808	$ 50,171
Bed rental days(1)	433,151	16,014	449,165	246,237	4,166	250,403
Revenue per bed rental day	$122	$166	$124	$180(4)	$194	$180(4)
Number of rentable beds at period end	7,152	873	8,025	5,116	950	6,066
Average rentable beds available(2)	7,330	888	8,218	5,108	950	6,058
Utilization(3)	66%	20%	61%	53%	5%	45%

	Six months ended June 30					
(000's for revenue only)	2013			2012		
	Large camp	Drill camp	Total	Large camp	Drill camp	Total
Revenue	$ 112,305	$ 12,302	$ 124,607	$ 102,143	$ 8,963	$ 111,106
Bed rental days(1)	864,412	70,574	934,986	539,975	47,602	587,577
Revenue per bed rental day	$130	$174	$133	$180(4)	$188	$180(4)
Number of rentable beds at period end	7,152	873	8,025	5,116	950	6,066
Average rentable beds available(2)	7,333	879	8,212	4,894	950	5,844
Utilization(3)	65%	44%	63%	61%	28%	55%

(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 times days in the quarter.

(4) Revenue per bed rental day for the three months ended June 30, 2012 and six months ended June 30, 2012 excludes the $5.1 million payment.

Revenues from large camp operations for the three months ended June 30, 2013 increased by $3.6 million or 7% compared to the same period in 2012 with the year to date revenue higher by $10.2 million or 10% in the comparative period. Normalizing for the $5.1 million payment in 2012, revenue increased for the three months ended June 30, 2013 by $8.7 million or 20% and $15.3 million or 16% as compared to the adjusted comparative periods in 2012. The increased revenues in the quarter and year to date were driven mainly by larger fleet numbers and improved utilization somewhat offset by a lower revenue per bed rental day.

In the comparative periods ended June 30, 2013 and 2012 Horizon increased the large camp fleet by 2,036 beds or 40%, a result of the 2012 and 2013 capital plan based on customer contracts.

Bed utilization for the three months and six months ended June 30, 2013 was 66% and 65% respectively. The increase compared to the same periods of 2012, was primarily a result of the nature of contracts in place during the comparative periods with significantly more split rate contracts in place in 2013 as compared to the same periods of 2012. Of the large camp bed rental days, 41% were split rate contracts compared to 8% in the same periods of 2012.

The revenue per bed rental day declined in the comparative periods by $58 and $50 respectively. As anticipated, the majority of the decrease was the higher proportion of split rate contracts in place compared to the same periods of 2012. As well, lower pricing at some camps compared to the same periods of 2012 contributed to the decreased rate. Although the metrics above are impacted by this contract structure, there is no fundamental effect on the contract economics.

Revenues from drill camp operations for the three and six months ended June 30, 2013 increased by $1.8 million or 229% and $3.3 million or 37% compared to the same periods of 2012. The increase was a result of higher utilization of Horizon's drill camps partially offset by a lower revenue per bed rental day. Despite generally lower drilling activity in the first half of 2013, the specific customers utilizing Horizon's drill camps remained active.

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

	Three months ended June 30		Six months ended June 30	
(000's for revenue only)	2013	2012	2013	2012
Catering only revenue	$ 4,393	$ 5,577	$ 10,048	$ 13,121
Catering only days[(1)]	45,100	53,697	101,751	126,216
Revenue per catering only day	$97	$104	$99	$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, for the three and six months ended June 30, 2013 decreased $1.2 million or 21% and $3.1 million or 23% as compared to same period of 2012. The lower volumes were mainly a result of a catering only project in northern Canada which was not operational for the comparative periods of 2013. The lower rate was mainly the result of change in contract mix as compared to the same period of 2012.

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

	Three months ended June 30		Six months ended June 30	
(000's)	2013	2012	2013	2012
Camp and catering operations service related revenue	$ 3,275	$ 5,040	$ 9,798	$ 12,304

Service revenues in the camp & catering operations are related to the transportation, set-up and de-mobilization of camps. Revenue for the three and six months ended June 30, 2013 decreased $1.8 million or 36% and $2.5 million or 20% respectively compared to the same periods in 2012. The decrease was mainly due to the nature of the specific service projects undertaken in the comparative periods.

Manufacturing sales

Manufacturing sales revenues include the manufacture of camps sold to third parties and the transportation and installation activities associated with those sales. Revenues for the three and six months ended June 30, 2013 were $68.7 million and $111.0 million respectively an increase of $14.7 million or 27% and $23.7 million or 27% as compared to the same periods of 2012. Manufacturing sales, transportation and installation all contributed to the higher revenue in the comparative periods. The majority of the increase was from the initial portion related to the sale of a 325 person camp which will be transported and installed in the remainder of the year. The remainder was a higher level of installation activity on a large camp project in the Fort McMurray area. Direct manufacturing hours were 213,305 for the three months ended June 30, 2013 compared to 159,124 in the same period of 2012, an increase of 54,181 hours or 34%. For the six months ended June 30, 2013 direct manufacturing hours were 419,081 compared to 293,927 in the same period of 2012, an increase of 125,154 hours or 43%. This increase in direct hours was achieved by ramping up staffing levels at the existing production facilities throughout 2012 and the first half of 2013. As a percentage of total direct hours, hours allocated to external sales were 67% and 63% respectively, compared to 85% and 77% for the comparative periods in 2012.

Space rental revenues

Space rental revenues for the three and six months ended June 30, 2013 were relatively consistent in the second quarter and down $1.3 million year to date as compared to the same periods in 2012. The first quarter of 2012 included a significant used rental equipment sale which was not repeated in 2013. The space rental fleet size and utilization was relatively consistent at 910 units and 89% for the comparative periods.

Direct costs

Direct costs for the three and six months ended June 30, 2013 were $101.7 million or 75% of revenue and $190.3 million or 73% of revenue compared to $78.8 million or 67% of revenue and $157.4 million or 68% of revenue for the same period of 2012. Direct costs are closely related to business volumes and the increased direct costs are primarily a result of the higher activity levels in the comparative periods. As a percentage of revenue, direct costs increased primarily as a result of a shift in the revenue mix compared to the same periods of 2012. In 2013 a larger proportion of revenue was derived from manufacturing operations which by its nature has higher direct costs than the camps 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)	Three months ended June 30 2013	2012	% change	Six months ended June 30 2013	2012	% change
Access mat rental revenue[(1)]	$ 4,248	$ 6,311	(33%)	$ 5,946	$ 8,439	(30%)
Other mat and rental equipment revenue[(2)]	$ 486	$ 422	15%	$ 1,630	$ 1,103	48%
Total mat and rental equipment revenue	$ 4,734	$ 6,733	(30%)	$ 7,576	$ 9,542	(21%)
Mat sales revenue	2,124	8,440	(75%)	7,046	15,009	(53%)
Installation, transportation, service and other revenue	8,098	10,059	(19%)	16,566	19,019	(13%)
Total revenue	$ 14,956	$ 25,232	(41%)	$ 31,188	$ 43,570	(28%)
EBITDAS	$ 4,148	$ 6,161	(33%)	$ 8,134	$ 10,533	(23%)
EBITDAS as a % of revenue	28%	24%		26%	24%	
Operating earnings	$ 1,967	$ 3,985	(51%)	$ 3,881	$ 6,589	(41%)
Access mat rental days – owned mats[(3)]	1,138,663	1,129,339	1%	1,768,456	1,873,683	(6%)
Access mat rental days – third party mats[(4)]	696,310	1,035,156	(33%)	755,258	1,035,156	(27%)
Total access mat rental days	1,834,973	2,164,495	(15%)	2,523,714	2,908,839	(13%)
Average owned access mats in rental fleet[(5)]	17,697	15,377	15%	15,768	13,172	20%
Average sub rental access mats in rental fleet[(6)]	7,670	11,375	(33%)	4,153	5,688	(27%)
Access mats in rental fleet at quarter end[(7)]	19,678	15,287	29%	19,678	15,287	29%
Mats sold:						
New mats	2,495	10,135	(75%)	7,954	17,542	(55%)
Used Mats	467	1,647	(72%)	1,844	3,546	(48%)
Total mats sold	2,962	11,782	(75%)	9,798	21,088	(54%)

(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, 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 June 30.

Revenues from the Matting segment for the three and six months ended June 30, 2013 were $15.0 million and $31.2 million, a decrease of $10.3 million or 41% and $12.4 million or 28% respectively compared to the same period of 2012. EBITDAS for the three and six months ended June 30, 2013 were $4.1 million or 28% of revenue and $8.1 million or 26% of revenue, a decrease of $2.0 million or 33% and $2.4 million or 23% compared the same period of 2012.

The decrease in revenues was a result of both moderated customer demand and very wet site conditions in the second quarter of 2013. Generally, in the first half of 2013 customers reduced the scope of projects or postponed projects resulting in lower volumes in rentals, sales and installation work. As well, extremely wet and muddy site conditions throughout the second quarter had many customers stop work and wait for conditions to improve. Even with matting, site conditions were too poor to work effectively and safely.

Mat and rental equipment revenue

Access mat rental revenues for the three and six months ended June 30, 2013 were $4.2 million and $5.9 million, down $2.1 million or 33% and $2.5 million or 30% respectively compared to the same periods of 2012. The decrease in revenue was a combination of lower activity and lower revenue per mat rental day rate. Total mat rental days in the three and six months ended June 30, 2013 were down by 329,522 or 15% and 385,125 or 13% respectively, a result of moderated customer demand and the very wet site conditions. The lower daily mat rental rate was due to softer customer demand and the mix of contracts in the comparative periods.

Utilization of the owned mat fleet for the three and six months ended June 30, 2013 was 71% and 62% respectively, compared to 80% and 78% in the same periods of 2012. The decrease in utilization is reflective of the size of the owned mat rental fleet. The fleet increased in size by 15% and 20% in the comparative periods, while owned mat rental days remained relatively flat for the quarter Of note is reduced reliance on third party mats in the first half of 2013, with third party mat rental days decreasing significantly.

Mat sales revenue

Revenues from mat sales for the three and six months ended June 30, 2013 were $2.1 million and $7.0 million, down $6.3 million or 75% and $8.0 million or 53% respectively compared to the same periods of 2012. The decrease in revenue is reflective of moderating customer requirements and timing of projects. The mix of new and used access mat sales and the revenue per mat stayed relatively consistent in the comparative periods.

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 and six months ended June 30, 2013 were $8.1 million and $16.6 million, a decrease of $2.0 million or 19% and $2.5 million or 13% respectively compared to the same periods in 2012. The decrease was mainly reflective of the lower volume of rentals and mat sales in the comparative periods.

Direct costs

Direct costs for the three and six months ended June 30, 2013 were $10.7 million or 71% of revenue and $22.7 million or 73% of revenue compared to $18.9 million or 75% and $32.8 million or 75% of revenue for the same period of 2012. Direct costs are driven by the level of business activity, with the decrease in mat sales and installation revenue compared to the same periods of 2012, direct costs have decreased accordingly. Direct costs as a percentage of revenue decreased by 4% and 2% respectively for the three and six months ended June 30, 2013 as compared the same periods of 2012. The decrease is primarily a result of 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 three and six months ended June 30, 2013 were $3.2 million and $6.3 million, an increase of $0.4 million or 17% and $0.6 million or 11% compared to the same periods in 2012. The increased costs in both periods reflects the cost to support higher levels of business activity. Corporate costs, as a percentage of total revenue were relatively consistent in the comparative periods at approximately 2%.

Other Items

Selling and administrative

Selling and administrative expense for the three and six months ended June 30, 2013 was $4.8 million and $9.6 million, an increase of $0.3 million or 6.7% and $1.0 million or 11.2% compared to the same periods for 2012. The increase is reflective of the higher levels of business activity in the first half of 2013 as compared to the same period of 2012. As a percentage of revenue selling and administrative expense remained consistent at 3.2% of revenue.

Depreciation and amortization

	Three months ended June 30			Six months ended June 30		
(000's)	2013	2012	% change	2013	2012	% change
Depreciation	$ 11,762	$ 7,589	55%	$ 22,606	$ 13,818	64%
Amortization	2,051	2,051	-%	4,102	4,102	-%
Total depreciation and amortization	$ 13,813	$ 9,640	43%	$ 26,708	$ 17,920	49%

Depreciation and amortization costs for the three and six months ended June 30,2013 were $13.8 million and $26.7 million, an increase of $4.2 million or 43% and $8.8 million or 49% compared to the same periods of 2012. The increased depreciation was a result of camp asset additions 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 for the camp set-up and installation was $3.7 million higher in the six months ended June 30, 2013 as compared to the same period of 2012.

Financing costs

Financing costs include interest on loans and borrowings and accretion on notes payable. For the three and six months ended June 30, 2013 financing costs were $1.1 million and $2.2 million, an increase of $0.2 million and $0.7 million compared to the same periods of 2012. Increased interest expense was due to a larger weighted average debt of $115.9 million in the three months ended June 30, 2013 as compared to $69.9 million in the same period in 2012. The effective interest rate on the loans and borrowing remained relatively consistent in the comparative periods at 3.6%.

Income taxes

For the three and six months ended June 30, 2013 income taxes expense was $3.1 million and $8.6 million, an effective tax rate of 23.2% and 24.5% compared to $7.4 million and $14.0 million, an effective tax rate of 25.4% and 25.6% in the comparative periods of 2012. The decrease in the effective tax rate for the three and six months ended June 30, 2013 was primarily due to the non taxable portion of an asset sale.

Gain/Loss on disposal

For the three and six months ended June 30, 2013 the loss on disposals was $4.2 million and $4.1 million respectively compared to $0.1 million and $0.1 million in the comparative periods of 2012. The loss on disposal in the second quarter of 2013 was primarily due to the disposal of the remaining un-depreciated set-up costs related to a large camp which was dismantled and in transition in the second quarter of 2013.

Liquidity and Capital Resources

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

(000's)	June 30, 2013	December 31, 2012
Current assets	$ 155,961	$ 149,168
Current liabilities excluding loans and borrowings(1)	56,639	72,760
Current portion of loans and borrowings	1,443	1,416
Current liabilities	58,082	74,176
Working capital(2)	$ 97,879	$ 74,992
Bank borrowing:		
Available bank lines	$ 150,000	$ 150,000
Drawings on credit facility	112,940	108,247
Borrowing capacity(3)	$ 37,060	$ 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 June 30, 2013 was $97.9 million as compared to $75.0 million at December 31, 2012. The increase of $22.9 million in working capital is primarily due to lower income taxes payable compared to December 31, 2012.

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

At June 30, 2013 the Corporation was in compliance with its debt covenants as shown below:

Debt Covenants	June 30, 2013
Debt (1) to EBITDAS (2)(3) – must be less than 2.0:1	0.86:1
Interest coverage(4) – must be greater than 3.0:1	37.9:1

(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 six months ended June 30, 2013, the Corporation spent $39.6 million on capital asset additions as compared to $69.5 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 to date of $16.8 million, resulting in net capital spending for the six months ended June 30, 2013 of $22.8 million.

Quarterly Summary of Results

(000's except per share amounts)	Three months ended March 2013	Three months ended June 2013	Year to date June 2013
Revenue	$ 139,959	$ 148,426	$ 288,385
EBITDAS	36,633	32,708	69,341
Operating earnings	23,209	14,257	37,466
Total profit	16,509	10,123	26,632
Total comprehensive income	16,384	9,986	26,370
Earnings per share – basic	$ 0.15	$ 0.09	$ 0.24
Earnings per share – diluted	$ 0.15	$ 0.09	$ 0.24

(000's except per share amounts)	Three months ended March 2012	June 2012	September 2012	December 2012	Year ended 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

(000's except per share amounts)	Three months ended March 2011	June 2011	September 2011	December 2011	Year ended December 2011
Revenue	$ 103,159	$ 86,607	$ 102,298	$ 110,929	$ 402,993
EBITDAS	22,805	22,019	28,443	29,369	102,636
Operating earnings	15,541	14,652	20,665	11,865	62,723
Total profit	10,912	10,233	15,068	8,609	44,822
Total comprehensive income	10,912	10,233	15,298	8,537	44,980
Earnings per share – basic	$ 0.10	$ 0.10	$ 0.14	$ 0.08	$ 0.42
Earnings per share – diluted	$ 0.10	$ 0.10	$ 0.14	$ 0.08	$ 0.41

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 have had some variability but have generally been strong and as a result Horizon's revenue and EBITDAS grew throughout 2011, 2012 and into 2013. Horizon was able to take advantage of the activity levels by expanding manufacturing capacity and investing in fleet capital, particularly in the Alberta oil sands area. With the levels of investment being made by the energy sector and continued robust activity in the oil sands, strengthening demand and improving utilization is significantly reducing the seasonal nature of Horizon's business.

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.

Issuance of Debt

From time to time, Horizon may enter into transactions to acquire assets or 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 favorable 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 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

In the quarter ended June 30, 2013, the Corporation had one significant customer who contributed greater than 10% of the consolidated revenue. The loss of these sources of revenue could have a substantial negative impact on the Corporation's future results from operations.

Reliance on Key Personnel

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

Camp Permits

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

Government Regulation

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

Environmental Regulation

The Government of Canada and provincial governments in areas where Horizon does business have been working through various forms of regulation and legislation focused on climate change and greenhouse gas emissions. Future federal legislation, together with provincial emission reduction requirements may require the reduction of emissions or emissions intensity from Horizon's operations and facilities and those of its customers. 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.

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.

Impairment

The Corporation assesses impairment at each reporting date by evaluating conditions specific to the organization that may lead to impairment of assets. Where an impairment indicator exists or annually for goodwill, the recoverable amount of the asset or cash generating unit is determined. Value-in-use calculations performed in assessing the recoverable amounts incorporate a number of key estimates.

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)	June 30, 2013	December 31, 2012
Neither impaired nor past due	$ 58,571	$ 44,337
Impaired	436	495
Outstanding 31-60 days	10,542	38,313
Outstanding 61-90 days	10,835	16,800
Outstanding more than 90 days	12,416	13,126
Total	92,800	113,071
Allowance for doubtful accounts	(436)	(495)
Accrued revenue	44,574	19,439
Other receivables	1,123	1,180
Total trade and other receivables	$ 138,061	$ 133,195

In the three months ended June 30, 2013, the Corporation provided an allowance for $0.4 million of receivables aged greater than 90 days. The Corporation collected $0.04 million of allowance for doubtful accounts against the associated receivable balance. As at July 30, 2013 the Corporation has collected $5.3 million 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:

	June 30, 2013		December 31, 2012	
	Trade and other payables[(1)]	Loans and borrowings[(2)]	Trade and other payables[(1)]	Loans and borrowings[(2)]
Year 1	$ 54,450	$ 1,443	$ 72,172	$ 1,416
Year 2	-	1,595	-	1,543
Year 3	-	119,921	-	115,329
Year 4	-	-	-	-
Year 5 and beyond	1,395	-	1,364	-
	$ 55,845	$ 122,959	$ 73,536	$ 118,288

(1) Trade and other payables include trade and other payables, income taxes payable, and provisions.
(2) Loans and borrowings as at June 30, 2013 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, which are denominated in USD, and foreign operations with USD functional currency.

As the foreign currency exchange risks are primarily based on the realized foreign exchange, the following sensitivity analysis is to determine the impact on cash used in operating activities. The effect of a $0.01 increase in the USD/CAD exchange rate would decrease cash used in operating activities for the six months ended June 30, 2013 by approximately $113,000 (June 30, 2012 - $171,000). This assumes that the quantity of USD purchases and the foreign operations in the quarter remain unchanged and that the change in the USD/CAD exchange rate is effective from the beginning of the year.

(ii) Interest rate risk

The Corporation is exposed to interest rate risk as changes in interest rates may affect interest expense and future cash flows. The primary exposure is related to the Corporation's revolving credit facility which bears interest at a rate of prime plus 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 $593,000 for the six months ended June 30, 2013 (June 30, 2012 – $325,000). This assumes that the amount and mix of fixed and floating rate debt in the six months ended June 30, 2013 remains unchanged and that the change in interest rates is effective from the beginning of the year.

Outstanding Shares

Horizon had 109,411,514 voting common shares issued and outstanding with a book value of $181,837,000 or $1.66 per share as at June 30, 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, 2012, 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 June 30, 2013 Horizon's DC&P, as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, were effective.

Throughout 2012, 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 June 30, 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, 2012, 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 June 30, 2013.

Throughout 2012 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 year ended June 30, 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.

Advisories

This Management's Discussion and Analysis, prepared as at July 30, 2013, 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 "Horizon anticipates a significant amount of fleet to be in transition throughout the third quarter keeping revenue per manday and utilization rates similar to the second quarter 2013. Manufacturing is now fully booked through 2013 and this strength will help offset some third quarter softness in camps and catering and matting. Increasing clarity to customers' project timelines indicates momentum building in the fourth quarter. Oil sands development activities, driven primarily by SAGD projects, continue to be the main driver of Horizon's growth with oil sands activity accounting for 61% of Horizon's consolidated revenues for the first half of 2013." And "The $80 million capital program which anticipates adding 1,000 beds to the camp and catering fleet is on track."

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.