This Management's Discussion and Analysis ("MD&A"), prepared as at October 29, 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.

Third Quarter Highlights

- Record quarterly revenues and EBITDAS were driven by Horizon's integrated business model;
- Improved balance sheet strength, exiting the quarter with a debt to trailing EBITDAS ratio of 0.46:1;
- Owned access mat fleet grew by 4,965 mats or 34% as compared to the same period of 2012, closing the quarter with 19,630 mats.

Third Quarter Financial Summary

	Three months ended September 30			Nine months ended September 30		
(000's except per share amounts)	2013	2012	% Change	2013	2012	% Change
Revenue	$ 157,361	$ 119,910	31%	$ 445,746	$ 388,058	15%
EBITDAS[(1)]	41,306	34,080	21%	110,647	108,988	2%
EBITDAS as a % of revenue	26%	28%		25%	28%	
Operating earnings[(1)]	27,423	23,232	18%	64,898	79,368	(18%)
Total comprehensive income	18,643	16,328	14%	45,013	56,974	(21%)
Earnings per share – basic	$ 0.17	$ 0.15	13%	$ 0.41	$ 0.53	(21%)
– diluted	$ 0.17	$ 0.15	13%	$ 0.41	$ 0.52	(21%)
Total assets	470,049	480,322	(2%)	470,049	480,322	(2%)
Long-term loans and borrowings	69,770	117,830	(41%)	69,770	117,830	(41%)
Funds from operations[(2)]	33,478	26,894	24%	87,819	84,739	4%
Capital spending	15,679	46,445	(66%)	55,263	115,968	(52%)
Debt to total capitalization ratio[(3)]	0.19	0.31	(39%)	0.19	0.31	(39%)
Dividends declared	$ 6,852	$ 5,430	26%	$ 20,498	$ 16,255	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

Horizon's third quarter of 2013 was a record high for both revenue and EBITDAS. The revenue and EBITDAS strength was driven by camp manufacturing as 81% of manufacturing capacity was focused on meeting external demand for several large camp projects. Strong manufacturing performance was partially offset by the camp rental and catering operations which realized the expected softness in revenue and EBITDAS with a large amount of fleet in transition. The transition of current fleet was driven by Horizon's ongoing assessment of how best to deploy and utilize fleet assets. The amount of fleet in transition is a result of our current customer's changing requirements and repositioning fleet for new contracts in anticipation of future demand.

EBITDAS as a percentage of revenue decreased in the three and nine months ended September 30, 2013 compared to the same periods of 2012. The decrease was mainly a result of a change in revenue mix in the comparative periods with a larger proportion of revenue generated from manufacturing sales operations in 2013 which typically contribute lower margins than camp rental and catering operations. 2012 year to date results included a $5.1 million end of contract billing for minimum utilization over the term of a particular contract in excess of actual utilization, removing this effect, 2012 year to date EBITDAS as a percent of revenue was 27%, 2% above the same period of 2013.

Operating earnings and earnings per share increased in the three months ended September 30, 2013 compared to the same period of 2012 mainly as a result of the higher activity levels in camp manufacturing and a gain of $1.1 million on disposal of assets. The gain was primarily a result of the sale of the tug and barge assets acquired on the formation of Horizon. Year to date operating income and earnings per share decreased as compared to the same period of 2012 as a result of higher depreciation attributable to the addition of camp fleet and camp set up costs throughout the year and the loss on disposal of camp set-up costs recognized in the second quarter of 2013.

The quarter's results show the benefit of Horizon's integrated business model which allows it to shift production capacity to most effectively meet current and expected demand. Our camp manufacturing operations have benefited greatly from a relatively stable workforce and improved processes over the past few quarters, which has led to greater efficiencies in our manufacturing operations and stronger margins. This business model has culminated in record revenue and EBITDAS in a quarter where our primary operating division experiences some slack in demand.

Outlook

For the remainder of the year, Horizon anticipates that camp rental and catering operations will begin to strengthen compared to the third quarter. Revenue per manday and utilization are anticipated to gain momentum as new camps come on stream and the amount of fleet in transition decreases. As compared to the third quarter of 2013, fourth quarter camp manufacturing revenue is expected to decline as production shifts to focus on completing the 2013 capital plan for additional fleet beds.

Alberta oil sands development activities remain the largest driver of Horizon's activity levels. Alberta oil sands activity account for 59% of Horizon's consolidated revenues for 2013 year to date. Increasing activity in north east British Columbia is also beginning to impact Horizon's results, with activity levels expected to increase as we move into and through 2014.

The $80 million capital program remains in place and Horizon anticipates adding 1,000 beds to the camp and catering fleet.

Dividend payment

Horizon North Logistics Inc. announced today that its Board of Directors has declared a dividend for the third quarter of 2013 at $0.0625 per share. The dividend is payable to shareholders of record at the close of business on December 31, 2013 to be paid on January 10, 2014. The dividends are eligible dividends for Canadian tax purposes.

Third Quarter Financial Results

(000's)	Three months ended September 30, 2013 Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	$ 137,908	$ 19,800	$ -	$ (347)	$ 157,361
Expenses					
Direct costs	99,118	12,706	-	(347)	111,477
Selling & administrative	1,291	504	2,783	-	4,578
EBITDAS	37,499	6,590	(2,783)	-	41,306
EBITDAS as a % of revenue	27%	33%			26%
Share based payments	297	39	219	-	555
Depreciation & amortization	12,003	2,283	147	(53)	14,380
(Gain) loss on disposal of property, plant and equipment	(2,647)	-	1,586	-	(1,061)
Operating earnings (loss)	$ 27,846	$ 4,268	$ (4,735)	$ 53	$ 27,432
Finance costs					840
Share of equity accounted investees					-
Income tax expense					8,253
Other comprehensive income					(304)
Total comprehensive income					$ 18,643
Earnings per share – basic					$ 0.17
– diluted					$ 0.17

(000's)	Three months ended September 30, 2012 Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	$ 99,433	$ 23,745	$ -	$ (3,268)	$ 119,910
Expenses					
Direct costs	68,349	16,727	1	(3,107)	81,970
Selling & administrative	1,138	128	2,594	-	3,860
EBITDAS	29,946	6,890	(2,595)	(161)	34,080
EBITDAS as a % of revenue	30%	29%			28%
Share based payments	344	54	285	-	683
Depreciation & amortization	8,018	2,148	116	(46)	10,236
(Gain) on disposal of property, plant and equipment	(71)	-	-	-	(71)
Operating earnings (loss)	$ 21,655	$ 4,688	$ (2,996)	$ (115)	$ 23,232
Finance costs					1,043
Share of equity accounted investees					52
Income tax expense					5,875
Other comprehensive income					(66)
Total comprehensive income					$ 16,328
Earnings per share – basic					$ 0.15
– diluted					$ 0.15

Financial Results (continued)

(000's)	Nine months ended September 30, 2013 Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	$ 398,767	$ 50,988	$ -	$ (4,009)	$ 445,746
Expenses					
Direct costs	289,444	35,444	-	(3,978)	320,910
Selling & administrative	4,251	820	9,118	-	14,189
EBITDAS	105,072	14,724	(9,118)	(31)	110,647
EBITDAS as a % of revenue	26%	29%			25%
Share based payments	833	128	675	-	1,636
Depreciation & amortization	34,356	6,468	420	(156)	41,088
Loss (gain) on disposal of property, plant and equipment	1,517	(21)	1,529	-	3,025
Operating earnings (loss)	$ 68,366	$ 8,149	$ (11,742)	$ 125	$ 64,898
Finance costs					3,036
Share of equity accounted investees					-
Income tax expense					16,891
Other comprehensive income					(42)
Total comprehensive income					$ 45,013
Earnings per share – basic					$ 0.41
– diluted					$ 0.41

(000's)	Nine months ended September 30, 2012 Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	$ 329,976	$ 67,315	$ -	$ (9,233)	$ 388,058
Expenses					
Direct costs	225,752	49,500	1	(8,681)	266,572
Selling & administrative	3,790	392	8,316	-	12,498
EBITDAS	100,434	17,423	(8,317)	(552)	108,988
EBITDAS as a % of revenue	30%	26%			28%
Share based payments	717	117	592	-	1,426
Depreciation & amortization	21,846	6,057	360	(107)	28,156
Loss (gain) on disposal of property, plant and equipment	66	(28)	-	-	38
Operating earnings (loss)	$ 77,805	$ 11,277	$ (9,269)	$ (445)	$ 79,368
Finance costs					2,586
Share of equity accounted investees					25
Income tax expense					19,865
Other comprehensive income					(82)
Total comprehensive income					$ 56,974
Earnings per share – basic					$ 0.53
– diluted					$ 0.52

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 September 30 2013	2012	% change	Nine months ended September 30 2013	2012	% change
Camp rental and catering operations revenue	$ 58,229	$ 67,148	(13%)	$ 202,682	$ 203,679	(1%)
Manufacturing sales	76,699	28,961	165%	187,708	118,494	58%
Space rental revenues	2,980	3,324	(10%)	8,377	7,803	7%
Total revenue	$ 137,908	$ 99,433	39%	$ 398,767	$ 329,976	21%
EBITDAS	$ 37,499	$ 29,946	25%	$ 105,072	$ 100,434	5%
EBITDAS as a % of revenue	27%	30%		26%	30%	
Operating earnings	$ 27,846	$ 21,655	29%	$ 68,366	$ 77,805	(12%)
Bed rental days[(1)]	370,717	333,186	11%	1,305,703	1,007,465	30%
Catering only days[(2)]	36,127	61,184	(41%)	137,878	187,400	(26%)

(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 nine months ended September 30, 2013 were $137.9 million and $398.8 million respectively, an increase of $38.5 million or 39% and $68.8 million or 21% compared to the same periods of 2012. EBITDAS for the three and nine months ended September 30, 2013 were $37.5 million and $105.1 million, an increase of $7.5 million or 25% and $4.7 million or 5% respectively compared to the same periods of 2012. Included in 2012 revenue and EBITDAS for the nine months ended September 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, year to date revenues increased by $73.9 million or 23% as compared to the same periods in 2012. Excluding the 2012 $5.1 million payment, year to date EBITDAS increased by $9.7 million or 10% as compared to the same period in 2012.

Horizon's revenues in the Camps & Catering segment for the comparative periods were primarily driven from being significantly tied to Alberta oil sands activity. Of note is the revenue mix in the comparative periods, in 2013 a higher proportion of revenue was generated from manufacturing as compared to the same periods of 2012. This change in revenue mix had the effect of decreasing EBITDAS as a percent of revenue, replacing higher margin camp rental and catering revenue with lower margin manufacturing revenue.

During the third quarter of 2013 the majority of manufacturing sales and service was focused on the execution of several large projects, one in the oil sands region and the other a mining operation in northern Canada. The camp and catering operations in the comparative quarters operated an average of 531 additional fleet beds.

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 rental and catering operations were $58.2 million for the three months ended September 30, 2013 compared to $67.1 million for the three months ended September 30, 2012, a decrease of $8.9 million or 13%. Year to date, revenues decreased slightly, by $1.0 million or 1.0%.

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 September 30					
(000's for revenue only)	2013			2012		
	Large camp	Drill camp	Total	Large camp	Drill camp	Total
Revenue	$ 44,379	$ 4,234	$ 48,613	$ 51,615	$ 2,080	$ 53,695
Bed rental days(1)	346,833	23,884	370,717	320,910	12,276	333,186
Revenue per bed rental day	$128	$177	$131	$161	$169	$161
Number of rentable beds at period end	6,771	782	7,553	6,656	738	7,394
Average rentable beds available(2)	6,981	788	7,769	6,575	663	7,238
Utilization(3)	54%	33%	52%	53%	21%	50%

	Nine months ended September 30					
(000's for revenue only)	2013			2012		
	Large camp	Drill camp	Total	Large camp	Drill camp	Total
Revenue	$ 156,685	$ 16,535	$ 173,220	$ 155,207	$11,043	$ 166,250
Bed rental days(1)	1,211,245	94,458	1,305,703	947,587	59,878	1,007,465
Revenue per bed rental day	$129	$175	$133	$158(4)	$184	$160(4)
Number of rentable beds at period end	6,771	782	7,553	6,656	738	7,394
Average rentable beds available(2)	7,051	881	7,932	6,023	780	6,803
Utilization(3)	63%	39%	60%	57%	28%	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) 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 period.

(4) Revenue per bed rental day for the nine months ended September 30, 2012 excludes the $5.1 million payment.

Revenues from large camp operations for the three months ended September 30, 2013 decreased by $7.2 million or 14% compared to the same period in 2012 with the year to date revenue higher by $1.5 million or 1% in the comparative period. Normalizing for the $5.1 million payment in 2012, revenue increased for the nine months ended September 30, 2013 by $6.6 million or 4% as compared to the adjusted comparative period in 2012. The decreased revenues in the quarter were driven mainly by lower utilization at several of the open style camps.

Bed utilization for the three months and nine months ended September 30, 2013 was 54% and 63% respectively. In comparison to the same periods of 2012, the third quarter remained relatively unchanged with year to date utilization increasing 11%. Utilization for the third quarter of 2013 had two offsetting effects. Utilization increased as a result of additional split rate contracts, the third quarter of 2013 had 2,212 beds, or 32%, of the average rentable beds contracted using split rate contracts compared to 1,357 or 23% for the same period of 2013. These beds are considered 100% utilized in the period and therefore increases the calculated utilization. The second effect on utilization was the decreased utilization at the open style camps.

Revenue per bed rental day declined in the comparative periods by $33 and $29 respectively. As anticipated, the majority of the decrease was the higher proportion of split rate contracts in 2013 compared to the same periods of 2012. 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 nine months ended September 30, 2013 increased by $2.2 million or 104% and $5.5 million or 50% compared to the same periods of 2012. The increase was a result of higher utilization of Horizon's drill camps with six additional camps deployed in the comparative periods.

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

	Three months ended September 30		Nine months ended September 30	
(000's for revenue only)	2013	2012	2013	2012
Catering only revenue	$ 4,279	$ 6,612	$ 14,327	$ 19,733
Catering only days[(1)]	36,127	61,184	137,878	187,400
Revenue per catering only day	$118	$108	$104	$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 three and nine months ended September 30, 2013 decreased $2.3 million or 35% and $5.4 million or 27% as compared to same period of 2012. The decrease in revenue was mainly a result of lower volumes primarily in the catering only for customer owned drill camps. The revenue per catering only day increased in the comparative quarter primarily due to additional services requested by the customer. The year to date rate remained relatively unchanged.

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

	Three months ended September 30		Nine months ended September 30	
(000's)	2013	2012	2013	2012
Camp and catering operations service related revenue	$ 5,337	$ 6,841	$ 15,135	$ 17,696

Service revenues in the camp & catering operations are related to the transportation, set-up and de-mobilization of camps for customers. Revenues for the three and nine months ended September 30, 2013 decreased $1.5 million or 22% and $2.6 million or 14% 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 in plant construction, transportation and installation of camps sold to third parties Revenues for the three and nine months ended September 30, 2013 were $76.7 million and $187.7 million respectively, an increase of $47.7 million or 165% and $69.2 million or 58% as compared to the same periods of 2012. The increased revenue in 2013 was a result of larger manufacturing projects and the timing of those projects. In the third quarter of 2012 several large projects were nearing completion with the manufacturing portion completed and installation crews demobilizing from site. Direct manufacturing hours were 199,313 for the three months ended September 30, 2013 compared to 161,098 in the same period of 2012, an increase of 38,215 hours or 24%. For the nine months ended September 30, 2013 direct manufacturing hours were 618,394 compared to 455,025 in the same period of 2012, an increase of 163,369 hours or 36%. 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. As a percentage of total direct hours, hours allocated to external sales were 81% and 69% respectively, compared to 28% and 60% for the comparative periods in 2012.

Space rental revenues

Space rental revenues for the three and nine months ended September 30, 2013 were relatively consistent in the third quarter and up $0.6 million year to date as compared to the same periods in 2012. 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 nine months ended September 30, 2013 were $99.1 million or 72% of revenue and $289.5 million or 73% of revenue compared to $68.3 million or 69% of revenue and $225.8 million or 68% of revenue for the same period of 2012. Direct costs are closely related to business volumes and 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 sales 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:

	Three months ended September 30			Nine months ended September 30		
(000's except mat rental days and numbers of mats)	2013	2012	% change	2013	2012	% change
Access mat rental revenue[(1)]	$ 4,850	$ 6,212	(22%)	$ 10,797	$ 14,607	(26%)
Other mat and rental equipment revenue[(2)]	$ 476	$ 1,701	(72%)	$ 2,105	$ 2,849	(26%)
Total mat and rental equipment revenue	$ 5,326	$ 7,913	(33%)	$ 12,902	$ 17,456	(26%)
Mat sales revenue	3,911	5,603	(30%)	10,957	20,612	(47%)
Installation, transportation, service and other revenue	10,563	10,229	3%	27,129	29,247	(7%)
Total revenue	$ 19,800	$ 23,745	(17%)	$ 50,988	$ 67,315	(24%)
EBITDAS	$ 6,590	$ 6,890	(4%)	$ 14,724	$ 17,423	(15%)
EBITDAS as a % of revenue	33%	29%		29%	26%	
Operating earnings	$ 4,268	$ 4,688	(9%)	$ 8,149	$ 11,277	(28%)
Access mat rental days – owned mats[(3)]	1,512,190	1,017,863	49%	3,280,646	2,891,546	13%
Access mat rental days – third party mats[(4)]	537,193	1,238,779	(57%)	1,292,451	2,273,935	(43%)
Total access mat rental days	2,049,383	2,256,642	(9%)	4,573,097	5,165,481	(11%)
Average owned access mats in rental fleet[(5)]	19,845	14,711	35%	17,126	13,685	25%
Average sub rental access mats in rental fleet[(6)]	5,848	13,407	(56%)	4,718	8,260	(43%)
Owned access mats in rental fleet at quarter end[(7)]	19,630	14,665	34%	19,630	14,665	34%
Mats sold:						
New mats	4,401	6,200	(29%)	12,355	23,742	(48%)
Used Mats	1,510	1,651	(9%)	3,354	5,197	(35%)
Total mats sold	5,911	7,851	(25%)	15,709	28,939	(46%)

(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 September 30.

Revenues from the Matting segment for the three and nine months ended September 30, 2013 were $19.8 million and $51.0 million, a decrease of $3.9 million or 17% and $16.3 million or 24% respectively compared to the same period of 2012. EBITDAS for the three and nine months ended September 30, 2013 were $6.6 million or 33% of revenue and $14.8 million or 29% of revenue, a decrease of $0.3 million or 4% and $2.7 million or 15% compared the same period of 2012.

The decrease in revenues was a result of both moderated customer demand and very wet site conditions that continued into the third quarter of 2013. Generally, in the first nine months of 2013 customers reduced the scope of projects or postponed projects resulting in lower volumes in rentals, sales and installation work.

Mat and rental equipment revenue

Access mat rental revenues for the three and nine months ended September 30, 2013 were $4.9 million and $10.8 million, down $1.4 million or 22% and $3.8 million or 26% 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 nine months ended September 30, 2013 were down by 207,259 or 9% and 592,384 or 11% respectively, a result of moderated customer demand and the very wet site conditions that continued into the third quarter of 2013. 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 nine months ended September 30, 2013 was 83% and 70% respectively, compared to 75% and 77% in the same periods of 2012. The increase in utilization in the quarter was mainly a result of decreased reliance on third party mats. The average owned mat fleet increased by 35% and 25% in the comparative periods, with the additional owned mats displacing the third party mats.

Mat sales revenue

Revenues from mat sales for the three and nine months ended September 30, 2013 were $3.9 million and $11.0 million, down $1.7 million or 30% and $9.6 million or 47% 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 shifted to a higher proportion used mat sales in 2013 resulting in lower revenue per mat as compared to 2012. Used mats typically sell at a lower price 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 and nine months ended September 30, 2013 were $10.6 million and $27.1 million, an increase of $0.3 million or 3% and a decrease of $2.1 million or 7% respectively compared to the same periods in 2012. The year to date decrease of $2.1 million was a result of lower activity levels in both rentals and sales as compared to same periods of 2012.

Direct costs

Direct costs for the three and nine months ended September 30, 2013 were $12.7 million or 64% of revenue and $35.4 million or 69% of revenue compared to $16.7 million or 70% and $49.5 million or 74% 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 9% and 7% respectively for the three and nine months ended September 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 nine months ended September 30, 2013 were $2.8 million and $9.1 million, an increase of $0.2 million or 8% and $0.8 million or 10% compared to the same periods in 2012. The increased costs in comparative 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 nine months ended September 30, 2013 was $4.6 million and $14.2 million, an increase of $0.7 million or 18% and $1.7 million or 14% compared to the same periods for 2012. The increase is reflective of the higher levels of business activity in the first nine months 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

(000's)	Three months ended September 30			Nine months ended September 30		
	2013	2012	% change	2013	2012	% change
Depreciation	$ 12,329	$ 8,185	47%	$ 34,935	$ 22,003	57%
Amortization	2,051	2,051	-%	6,153	6,153	-%
Total depreciation and amortization	$ 14,380	$ 10,236	38%	$ 41,088	$ 28,156	45%

Depreciation and amortization costs for the three and nine months ended September 30,2013 were $14.4 million and $41.1 million, an increase of $4.1 million or 40% and $12.9 million or 46% 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 $8.0 million higher in the nine months ended September 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 nine months ended September 30, 2013 financing costs were $0.8 million and $3.0 million, a decrease of $0.2 million and an increase of $0.4 million compared to the same periods of 2012. The decrease in the comparative quarter was a result of lower interest expense due to a lower weighted average debt of $75.8 million in the three months ended September 30, 2013 as compared to $99.9 million in the same period in 2012. The 2013 effective interest rate on the loans and borrowing was 3.5% remained relatively consistent with the comparative period at 3.6%.

Income taxes

For the three and nine months ended September 30, 2013 income taxes expense was $8.3 million and $16.9 million, an effective tax rate of 31.0% and 27.3% compared to $5.9 million and $19.9 million, an effective tax rate of 26.5% and 25.9% in the comparative periods of 2012. The increase in the effective tax rate for the three and nine months ended September 30, 2013 was primarily due to the revision of the prior year tax estimate.

Gain/Loss on disposal

For the three and nine months ended September 30, 2013 there was a gain on disposal of $1.1 million and $3.0 million loss respectively compared to a gain of $0.1 million and a year to date gain/loss of zero in the comparative periods of 2012. The gain on disposal in the third quarter of 2013 was primarily from the sale of the tugs and barges. The 2013 year to date loss of $3.0 million was mainly comprised the disposal in the second quarter of 2013 of un-depreciated set-up costs related to a large camp and was partially offset by the gain on the sale of the tugs and barges in the third quarter of 2013.

Liquidity and Capital Resources

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

(000's)	September 30, 2013	December 31, 2012
Current assets	$ 132,519	$ 149,168
Current liabilities excluding loans and borrowings[(1)]	65,454	72,760
Current portion of loans and borrowings	1,469	1,416
Current liabilities	66,923	74,176
Working capital[(2)]	$ 65,596	$ 74,992
Bank borrowing:		
Available bank lines	$ 150,000	$ 150,000
Drawings on credit facility	61,228	108,247
Borrowing capacity[(3)]	$ 88,772	$ 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 September 30, 2013 was $65.6 million as compared to $75.0 million at December 31, 2012. The decrease of $9.4 million in working capital is primarily due to lower receivables which were partially offset by 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 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, 2016, the renewal date of the facility.

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

Debt Covenants	September 30, 2013
Debt [(1)] to EBITDAS [(2)(3)] – must be less than 2.0:1	0.46:1
Interest coverage[(4)] – must be greater than 3.0:1	41.6:1

(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 nine months ended September 30, 2013, the Corporation spent $55.3 million on capital asset additions as compared to $116.0 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 $23.4 million, resulting in net capital spending for the nine months ended September 30, 2013 of $31.8 million.

Quarterly Summary of Results

	Three months ended			Year to date
(000's except per share amounts)	March 2013	June 2013	September 2013	September 2013
Revenue	$ 139,959	$ 148,426	$ 157,361	$ 445,746
EBITDAS	36,633	32,708	41,306	110,647
Operating earnings	23,209	14,257	27,432	64,898
Total profit	16,509	10,123	18,339	44,971
Total comprehensive income	16,384	9,986	18,643	45,013
Earnings per share – basic	$ 0.15	$ 0.09	$ 0.17	$ 0.41
Earnings per share – diluted	$ 0.15	$ 0.09	$ 0.17	$ 0.41

	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

	Three months ended				Year ended
(000's except per share amounts)	March 2011	June 2011	September 2011	December 2011	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 September 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)	September 30, 2013	December 31, 2012
Neither impaired nor past due	$ 48,244	$ 44,337
Impaired	82	495
Outstanding 31-60 days	16,983	38,313
Outstanding 61-90 days	7,456	16,800
Outstanding more than 90 days	3,101	13,126
Total	75,866	113,071
Allowance for doubtful accounts	(82)	(495)
Accrued revenue	39,958	19,439
Other receivables	1,063	1,180
Total trade and other receivables	$ 116,805	$ 133,195

In the three months ended September 30, 2013, the Corporation provided an allowance for $0.08 million of receivables aged greater than 90 days. The Corporation collected $0.2 million of allowance for doubtful accounts against the associated receivable balance. As at October 29, 2013 the Corporation has collected $0.5 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:

	September 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	$ 64,197	$ 1,469	$ 72,172	$ 1,416
Year 2	-	1,479	-	1,543
Year 3	-	68,291	-	115,329
Year 4	-	-	-	-
Year 5 and beyond	1,411	-	1,364	-
	$ 65,608	$ 71,239	$ 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, 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 nine months ended September 30, 2013 by approximately $153,000 (September 30, 2012 - $218,000). 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 $191,000 for the nine months ended September 30, 2013 (September 30, 2012 – $252,000). This assumes that the amount and mix of fixed and floating rate debt in the nine months ended September 30, 2013 remains unchanged and that the change in interest rates is effective from the beginning of the year.

Outstanding Shares

Horizon had 109,629,850 voting common shares issued and outstanding with a book value of $302,012,085 or $2.75 per share as at September 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 September 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 September 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 September 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 period ended September 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 October 29, 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 "For the remainder of the year, Horizon anticipates that camp rental and catering operations will begin to strengthen compared to the third quarter. Revenue per manday and utilization are anticipated to gain momentum as new camps come on stream and the amount of fleet in transition decreases. As compared to the third quarter of 2013, fourth quarter camp manufacturing revenue is expected to decline as production shifts to focus on completing the 2013 capital plan for additional fleet beds.

Alberta oil sands development activities remain the largest driver of Horizon's activity levels. Alberta oil sands activity account for 59% of Horizon's consolidated revenues for 2013 year to date. Increasing activity in north east British Columbia is also beginning to impact Horizon's results, with activity levels expected to increase as we move into and through 2014." And "The $80 million capital program remains in place and Horizon anticipates adding 1,000 beds to the camp and catering fleet."

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.