This Management's Discussion and Analysis ("MD&A"), prepared as at February 24, 2016 focuses on key statistics from the Consolidated Financial Statements and pertains to known risks and uncertainties relating to the business carried on by Horizon North Logistics Inc. ("Horizon North" or the "Corporation"). This discussion should not be considered all-inclusive, as it does not attempt to include changes that may occur in general economic, political and environmental conditions.

Annual Highlights

- Throughout 2015 Horizon North took some significant steps to strengthen and protect the balance sheet, starting in Q1 2015 by renegotiating the credit facility to relax covenant thresholds and increase the size of the facility. This was followed by a bought deal equity financing completed in July for $80.6 million in gross proceeds, used to reduce debt. As the economic environment continued to deteriorate the Horizon North Board of Directors approved a 50% reduction to the shareholder dividend to maintain financial flexibility and weather the difficult economic times;
- 2015 was the start of a journey of transformational change which will position Horizon North for success and growth well into the next decade. The change moves Horizon North to a fully integrated product and services offering model and will diversify the business base by focusing on expanding into the permanent modular and facilities management markets;
- Throughout 2015 Horizon North continued to develop and secure suitable land positions near proposed LNG project sites in British Columbia positioning Horizon North to fully participate in LNG projects;
- The downturn in economic conditions experienced throughout 2015, mainly a result of a 46% drop in oil prices and a 37% drop in natural gas prices year over year, put downward pressure on Horizon North's pricing and decreased demand for Horizon North's products and services.

Annual Financial Summary

	Years ended December 31				
(000's except per share amounts)	2015	% change	2014	% change	2013
Revenue	$ 369,889	(22%)	$ 476,060	(14%)	$ 554,387
EBITDAS[(1)]	62,460	(33%)	92,866	(26%)	126,334
EBITDAS as a % of revenue	17%		20%		23%
Operating earnings	4,778	(87%)	37,502	(41%)	63,291
Operating earnings as a % of revenue	1%		8%		11%
Total (loss) profit	(832)	(104%)	23,646	(44%)	42,451
Total comprehensive (loss) income	(775)	(103%)	24,026	(44%)	42,637
Earnings per share – basic	$ (0.01)	(105%)	$ 0.21	(46%)	$ 0.39
– diluted	$ (0.01)	(105%)	$ 0.21	(45%)	$ 0.38
Total assets	$ 469,504	(13%)	$ 539,978	15%	$ 471,115
Long-term loans and borrowings	57,527	(61%)	146,370	87%	78,256
Cash from operations	99,995	74%	57,571	(54%)	125,369
Capital spending					
Purchase of property, plant & equipment	54,443	(52%)	114,581	27%	90,146
Proceeds from disposals of property, plant & equipment	(9,800)	(34%)	(14,946)	(44%)	(26,925)
Net Capital spending	44,643	(55%)	99,635	58%	63,221
Senior debt to EBITDAS[(2)]	0.92:1.00		1.63:1.00		0.60:1.00
Total debt to EBITDAS[(2)]	0.92:1.00		1.66:1.00		0.60:1.00
Debt to total capitalization ratio	0.15:1.00		0.35:1.00		0.21:1.00
Dividends declared	$ 33,641	(5%)	$ 35,307	29%	$ 27,378
Dividends declared per share	$ 0.28	(13%)	$ 0.32	28%	$ 0.25

(1) *Please refer to page 26 of the Management's Discussion and Analysis for the definitions of Non-GAAP and additional GAAP measures* and reconciliation of *Net Earnings to EBITDAS.*

(2) *Please refer to page 18 of the Management's Discussion and Analysis for the definitions of Debt to EBITDAS.*

Average oil and natural gas prices(1)	2015	% change	2014	% change	2013
West Texas Intermediate (US$/bbl)	$ 49.58	(46%)	$ 92.45	(6%)	$ 97.93
Natural Gas – Henry Hub (US$/MMBtu)	$ 2.64	(37%)	$ 4.22	(12%)	$ 3.78

(1) Average of NYMEX daily closing prices.

Annual Overview

Horizon North's results for the year ended December 31, 2015 ("2015"), compared to the year ended December 31, 2014 ("2014"), reflected the uncertain and difficult economic conditions that persisted throughout 2015, primarily due to the decline in commodity prices, in particular the price of oil. The challenging economic environment put considerable downward pressure on pricing and drove diminished demand for Horizon North's products and services as customers made deep cuts to their capital programs and looked for every opportunity to reduce operating costs in 2015. These significant factors are the context and basis for the discussion and analysis which follow.

2015 started with a strong seasonal lift as a result of customer commitments made in late 2014. However, circumstances quickly deteriorated as the economic environment worsened and gained downward momentum in the back half of 2015 following a steep decline in the price of oil. Much of the second and third quarters of 2015 were spent working with existing customers revisiting contract pricing and occupancy commitments in order to help manage their costs. As a result, Horizon North experienced lower margins for the reminder of the year. Poor economic conditions drove diminished demand for Horizon North's products and services throughout 2015, particularly evident in the manufacturing and mat sales operations which saw fewer projects with significantly smaller scope in the second half of 2015 compared to 2014. In addition to the impact of uncertain and deteriorating economic conditions, Horizon North experienced, in aggregate, $8.0 million of higher costs throughout the year related to: an extended installation schedule on a major oil sands camp sales project in the Fort McMurray area, a provincial sales tax assessment, severance costs related to various restructuring and efficiency initiatives undertaken during the year and an increase to the allowance for doubtful accounts.

In 2015 Horizon North began a journey of transformational change to position the Corporation for growth into the next decade. Change focused on the implementation of a fully integrated offering model and diversification of the business base by expanding the product and service offerings. 2015 focused on the realignment and restructuring of the functional groups to support expansion into the permanent modular and facilities maintenance markets and also drove improved operational efficiencies.

In light of the economic uncertainty Horizon North took some significant steps throughout 2015 to strengthen and protect the balance sheet. In the first quarter of 2015 the Corporation renegotiated its credit facility, increasing available limits to $200.0 million and relaxing the covenants to provide increased financial flexibility. In July 2015 Horizon North further strengthened the balance sheet through the completion of a bought deal equity financing for gross proceeds of $80.6 million which were used to reduce debt. As the economic downturn continued to deepen in the third quarter, the Horizon North Board of Directors took the additional step of reducing the shareholder dividend by 50% to maintain financial flexibility and weather the difficult economic times.

Net capital spending was $44.6 million for 2015, a reduction from the $50.0 million contemplated in Q3 2015. Capital spending in 2015 was related to the equipment and installation work for contracted projects and refreshing the camp fleet, drill camp fleet and the space rental fleet. In addition, a limited amount of capital was focused on developing and securing suitable land positions near proposed LNG project sites in British Columbia.

Consolidated revenues for the year ended December 31, 2015 decreased by $106.2 million or 22% compared to 2014 with half of the decrease attributable to the manufacturing operations and the remainder coming equally from camp rental and catering and matting operations. All operations were significantly impacted by the difficult economic conditions throughout 2015 with revenue and activity levels reflecting the extent to which customers curtailed capital programs and reduced their costs through pricing reductions and decreased occupancy.

Manufacturing Sales revenues decreased by $55.4 million or 46% compared to 2014, a reflection of customers cutting their capital projects. In 2014, a large oil sands camp project was underway throughout the year which was completed mid-2015 and was not replaced with a project of similar scope. In response to lower demand, manufacturing capacity was significantly reduced in the second half of 2015 through work sharing programs and headcount reductions. The total direct manufacturing hours decreased year over year with fewer hours dedicated to external revenue generating projects compared to 2014. The total direct hours in 2015 were 650,110, a decrease of 451,416 hours or 41% compared to 2014 with 62% of total direct hours allocated to external sales compared to 57% in 2014.

Camp rental and catering revenues decreased $28.5 million or 10% compared to 2014. The decrease in revenue was a result of downward pressure on pricing and generally decreased activity levels across the camp rental and catering operations. Large camps were the exception where activity increased compared to 2014 as a result of very strong seasonal activity in the first quarter of 2015 and a significant amount of fire camp work in the third quarter of 2015. Despite the higher activity, large camp revenue declined compared to 2014 due to pricing reductions on existing contracts and new projects. Large camp fleet utilization was 60% with an average of 9,113 rentable beds in 2015 compared to 63% utilization and an average of 7,613 rentable beds in 2014. Revenue per average available bed (RevPAAB) was $64 compared to $78 in 2014 mainly a result of decreased pricing experienced in 2015 and a different mix of contracts between the comparative years.

Matting revenues decreased $25.9 million or 39% compared to 2014 as a result of the weak economic environment which drove significantly lower pricing and saw customers drastically reduce capital spending. The effect of the poor economic environment was a decrease in mat rental rates by 33% with utilization 4% lower year over year and a decrease in new mat sales by 90% compared to 2014.

EBITDAS were $62.5 million, a decrease of $30.4 million or 33% compared to 2014, and as a percentage of revenue, EBITDAS was 17%, a decrease from 20% in 2014. The decreased EBITDAS were primarily due to the very difficult economic environment which drove strong downward pressure on pricing and reduced demand for Horizon North's products and services. In addition to the impact of uncertain and deteriorating economic conditions, Horizon North experienced, in aggregate, $8.0 million of higher costs throughout the year related to: an extended installation schedule on a major oil sands camp sales project in the Fort McMurray area, a provincial sales tax assessment, severance costs related to various restructuring and efficiency initiatives undertaken during the year and an increase to the allowance for doubtful accounts. Normalizing for this cost EBITDAS as a percentage of revenue would have been 19% compared to 20% for 2014. Throughout 2015, Horizon North took action to mitigate the margin compression by focusing on improving operational efficiencies and working with our suppliers to drive cost savings.

Total profit and earnings per share decreased year over year primarily as a result of the difficult economic environment experienced throughout 2015 which drove lower EBITDAS discussed above. The poor economic conditions, resulting from the decline in oil and natural gas prices, impacted the current and future activity levels and were indicators of impairment. Horizon North completed the required impairment testing using a multi-year discounted cash flow approach to determine if an impairment existed. It was determined there was an indication of impairment in the Camps & Catering cash generating unit which resulted in an impairment charge against goodwill of $1.7 million.

The balance sheet continued to be strong as a result of the steps taken throughout 2015 and the ongoing focus to minimize working capital and manage capital spending. Net capital spending was $44.6 million for 2015, a reduction from the $50.0 million contemplated in Q3 2015. Debt levels and banking covenants are well within the required limits with debt of $57.5 million and a Debt to Trailing Twelve Month (TTM) EBITDAS ratio of 0.92:1.00.

Outlook

Given the current uncertain and weak economic environment, as a result of depressed and volatile commodity prices, particularly oil, commenting on the 2016 outlook is a very difficult proposition. Horizon North anticipates the uncertainty and volatility seen in 2015 to persist through 2016 with continued weaker demand and depressed pricing for its products and services. It is anticipated that customers will continue to reduce capital programs and delay investment decisions as well as look at all opportunities to lower operating costs throughout 2016.

Ensuring a strong balance sheet will be a priority for 2016 and in light of the current economic environment the Horizon North Board of Directors has reduced the quarterly dividend to $0.02 providing additional financial flexibility of $10.6 million annually. Minimizing working capital and a reduced capital program will be a strong focus with capital spending limited to key initiatives, required maintenance and growth capital limited to contracted projects.

Horizon North will continue forward on the journey of transformational change that began in 2015. Horizon North will continue to realign and restructure the Corporation to focus on delivering a more fully integrated product and service offering model, diversify the business base and drive operational efficiency. Diversifying the business base will focus on expanding into the permanent modular and facilities management markets.

Horizon North will continue to develop and secure key land locations close to proposed LNG projects sites on the west coast of British Columbia. However, this will be done using a measured approach with the timing of capital spending aligned with projects as they emerge. Executing these strategies are key to weathering the downturn and positioning Horizon North for the recovery.

Dividend payment

Horizon North announced today that its Board of Directors has declared a dividend for the first quarter of 2016 at $0.02 per share. The dividend is payable to shareholders of record at the close of business on March 31, 2016 to be paid on April 15, 2016. The Board of Directors regularly monitors the strength of the balance sheet, cash from operations and capital requirements to ensure the overall sustainability of Horizon North is not compromised. The dividends are eligible dividends for Canadian tax purposes.

Annual Financial Results

	Years ended December 31, 2015				
(000's)	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	$ 329,724	$ 41,269	$ -	$ (1,104)	$ 369,889
Expenses					
Direct costs	254,991	30,405	(14)	(1,104)	284,278
Selling & administrative	8,394	1,774	12,983	-	23,151
EBITDAS	$ 66,339	$ 9,090	$ (12,969)	$ -	$ 62,460
EBITDAS as a % of revenue	20%	22%	-	-	17%
Share based compensation	759	212	746	-	1,717
Depreciation & amortization	43,994	9,173	930	(133)	53,964
Impairment loss	1,664	-	-	-	1,664
Loss on disposal of property, plant and equipment	337	-	-	-	337
Operating earnings (loss)	$ 19,585	$ (295)	$ (14,645)	$ 133	$ 4,778
Finance costs					3,491
Earnings on equity investments					(347)
Income tax expense					2,466
Total loss					$ (832)
Other comprehensive income					(57)
Total comprehensive loss					$ (775)
Earnings per share – basic					$ (0.01)
– diluted					$ (0.01)

	Years ended December 31, 2014				
(000's)	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	$ 410,499	$ 67,172	$ -	$ (1,611)	$ 476,060
Expenses					
Direct costs	311,316	50,596	3	(1,611)	360,304
Selling & administrative	8,002	1,071	13,817	-	22,890
EBITDAS	$ 91,181	$ 15,505	$ (13,820)	$ -	$ 92,866
EBITDAS as a % of revenue	22%	23%	-	-	20%
Share based compensation	1,014	208	913	-	2,135
Depreciation & amortization	48,102	7,972	1,015	(194)	56,895
(Gain) loss on disposal of property, plant and equipment	(3,682)	25	(9)	-	(3,666)
Operating earnings (loss)	$ 45,747	$ 7,300	$ (15,739)	$ 194	$ 37,502
Finance costs					4,551
Income tax expense					9,305
Total profit					$ 23,646
Other comprehensive income					(380)
Total comprehensive income					$ 24,026
Earnings per share – basic					$ 0.21
– diluted					$ 0.21

Fourth Quarter Highlights

- The balance sheet continued to be strong as a result of an ongoing focus to minimize working capital and manage capital spending. Debt levels and banking covenants continue to be well below maximum thresholds with $57.5 million of debt and a Debt to TTM EBITDAS ratio of 0.92:1.00;
- The weak economic environment in Q4 2015 was mainly driven by continued low oil and natural gas prices which resulted in downward pressure on Horizon North's pricing and lower demand for Horizon North's products and services; and
- Q4 2015 EBITDAS were significantly lower compared to Q4 2014 and included $3.0 million of additional cost related to a large camp installation project in the Fort McMurray oil sands area and an increase in the allowance for doubtful accounts.

Fourth Quarter Financial Summary

	Three months ended December 31		
(000's except per share amounts)	2015	2014	% Change
Revenue	$ 68,722	$ 135,860	(49%)
EBITDAS[(1)]	8,518	27,774	(69%)
EBITDAS as a % of revenue	12%	20%	
Operating (loss) earnings	(6,940)	11,510	(160%)
Operating (loss) earnings as a % of revenue	(10%)	8%	
Total (loss) profit	(4,986)	7,183	(169%)
Total comprehensive(loss) income	(4,894)	7,329	(167%)
Earnings per share – basic	$ (0.04)	$ 0.06	(167%)
– diluted	$ (0.04)	$ 0.06	(167%)
Total assets	$ 469,504	$ 539,978	(13%)
Long-term loans and borrowings	57,527	146,370	(61%)
Cash from operations	16,082	18,056	(11%)
Capital spending			
Purchase of property, plant & equipment	13,207	17,540	(25%)
Proceeds from disposals of property, plant & equipment	(2,348)	(1,967)	19%
Net Capital spending	10,859	15,573	(30%)
Senior debt to EBITDAS[(2)]	0.92:1.00	1.63:1.00	
Total debt to EBITDAS[(2)]	0.92:1.00	1.66:1.00	
Debt to total capitalization ratio	0.15:1.00	0.35:1.00	
Dividends declared	$ 5,304	$ 8,840	(40%)
Dividends declared per share	$ 0.04	$ 0.08	(50%)

(1) *Please refer to page 26 of the Management's Discussion and Analysis for the definitions of Non-GAAP and additional GAAP measures* and reconciliation of *Net Earnings to EBITDAS.*

(2) *Please refer to page 18 of the Management's Discussion and Analysis for the definitions of Debt to EBITDAS.*

Fourth Quarter Overview

Horizon North's results for the three months ended December 31, 2015 ("Q4 2015") were well below the same period of 2014 ("Q4 2014") in all financial measures; revenue, EBITDAS, operating earnings, total comprehensive income and earnings per share. The majority of the blame lies squarely on the worsening economic environment as a result of the precipitous drop in the price of oil compared to Q4 2014. The increased economic uncertainty in Q4 2015 drove customers to cancel seasonal projects, delay committed projects and cut costs by beginning their winter break early, reducing the working days in December by up to ten days. Horizon North's Camps & Catering segment saw the largest declines in revenues and EBITDAS as a result of the low demand for manufacturing combined with lower occupancy across most camps compared to Q4 2014. In addition to the decreased demand for Horizon North's products and services, EBITDAS was further impacted by increased costs associated with a major oil sands camp project in the Fort McMurray area and an increase to the allowance for doubtful accounts resulting from a review of outstanding accounts.

Consolidated revenues for Q4 2015 were $68.7 million, a decrease of $67.1 million or 49% compared to Q4 2014. Of the decrease, $33.7 million was related to low activity levels in manufacturing operations compared to Q4 2014. The remainder was due to weaker pricing and lower activity levels across all the other operations compared to Q4 2014.

Manufacturing Sales revenues were $6.4 million, a decrease of $33.7 million or 84% compared to Q4 2014. The decrease in revenues was a result of a large oil sands camp project which was in full production in Q4 2014 and completed in mid-2015. As a result of decreased demand there were fewer projects with smaller scope in the plant compared to Q4 2014. Total direct hours were 79,359, a decrease of 195,335 hours or 71% compared to Q4 2014 with 39% of total direct hours allocated to external sales projects in Q4 2015 compared to 76% in Q4 2014.

Camp rental and catering revenues were $50.2 million, a decrease of $27.5 million or 35% compared to Q4 2014. The difficult economic environment drove customers to reduce their costs as much as possible by cancelling seasonal projects and extending their winter break resulting in up to ten fewer working days at many camps in December. Large camp utilization and RevPAAB was 56% and $50 respectively compared to 69% and $79 in Q4 2014, reflective of the reduced pricing and activity levels quarter over quarter.

Matting revenues were $8.6 million, a decrease of $5.9 million or 41% compared to Q4 2014 for the same reasons as the other operations. The lower activity levels and reduced pricing drove owned rental mat utilization of 44% and a revenue per mat rental day of $1.35 compared to 59% and $2.10 in the same period of 2014. The owned mat rental fleet closed the quarter at 28,714 mats, an increase of 5,389 mats compared to Q4 2014.

EBITDAS in Q4 2015 were $8.5 million, a decrease of $19.3 million or 69% and as a percentage of revenue, were 12% compared to 20% in Q4 2014. The decrease between the comparative quarters was mainly due to the decline in the economic environment which drove lower activity levels and decreased pricing. In addition to the economic factors, Horizon North experienced $3.0 million of increased costs in Q4 2015 related to an extended installation schedule for a large oil sands camp project and an increase to the allowance for doubtful accounts. Normalizing for this cost EBITDAS as a percentage of revenue would have been 16% compared to 20% for Q4 2014. In Q4 2015, Horizon North continued to focus on cost reduction initiatives to improve operational efficiencies and reduce input costs from suppliers.

Total profit and earnings per share decreased in Q4 2015 compared to Q4 2014 as a result of the lower revenues and EBITDAS discussed. The poor economic conditions, resulting from the decline in oil and gas prices, impacted the current and future activity levels and were indicators of impairment. Horizon North completed the required impairment testing using a multi-year discounted cash flow approach to determine if an impairment existed. It was determined there was an impairment in the Camps & Catering cash generating unit which resulted in an impairment charge against goodwill of $1.7 million.

Horizon North continued to focus on minimizing working capital and managing capital spending throughout the quarter. Debt levels and banking covenants continued to be at very manageable levels and were well within the required limits closing the quarter with debt of $57.5 million and a Debt to Trailing Twelve Month (TTM) EBITDAS ratio of 0.92:1.00.

Fourth Quarter Financial Results

(000's)	Three months ended December 31, 2015 Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	$ 60,349	$ 8,622	$ -	$ (249)	$ 68,722
Expenses					
Direct costs	47,833	7,097	(1)	(249)	54,680
Selling & administrative	2,336	386	2,802	-	5,524
EBITDAS	$ 10,180	$ 1,139	$ (2,801)	$ -	$ 8,518
EBITDAS as a % of revenue	17%	13%	-	-	12%
Share based compensation	130	37	169	-	336
Depreciation & amortization	10,870	2,435	238	7	13,550
Impairment loss	1,664				1,664
Gain on disposal of property, plant and equipment	(92)	-	-	-	(92)
Operating earnings (loss)	$ (2,392)	$ (1,333)	$ (3,208)	$ (7)	$ (6,940)
Finance costs					556
Earnings on equity investments					(347)
Income tax recovery					(2,163)
Total loss					$ (4,986)
Other comprehensive income					(92)
Total comprehensive loss					$ (4,894)
Earnings per share – basic					$ (0.04)
– diluted					$ (0.04)

(000's)	Three months ended December 31, 2014 Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	$ 121,778	$ 14,518	$ -	$ (436)	$ 135,860
Expenses					
Direct costs	90,989	10,241	3	(436)	100,797
Selling & administrative	2,851	215	4,223	-	7,289
EBITDAS	$ 27,938	$ 4,062	$ (4,226)	$ -	$ 27,774
EBITDAS as a % of revenue	23%	28%	-	-	20%
Share based compensation	223	62	200	-	485
Depreciation & amortization	12,460	2,872	315	(49)	15,598
Loss (gain) on disposal of property, plant and equipment	190	-	(9)	-	181
Operating earnings (loss)	$ 15,065	$ 1,128	$ (4,732)	$ 49	$ 11,510
Finance costs					1,383
Income tax expense					2,944
Total profit					$ 7,183
Other comprehensive income					(146)
Total comprehensive income					$ 7,329
Earnings per share – basic					$ 0.06
– diluted					$ 0.06

Camps & Catering

Camps & Catering revenues are comprised of camp rental and catering operations revenue, manufacturing sales revenue, relocatable structures rental revenue and the associated service revenue within each operation.

Revenues *(000's)*	Three months ended December 31					Years ended December 31				
		2015		2014	% change		2015		2014	% change
Large Camp revenue	$	43,677	$	60,425	(28%)	$	212,010	$	215,727	(2%)
Drill Camp revenue		2,119		4,308	(51%)		10,944		15,322	(29%)
Catering only revenue		2,167		4,473	(52%)		11,902		15,271	(22%)
Camp and catering service revenue		2,255		8,513	(74%)		15,541		32,580	(52%)
Total camp rental and catering revenues	$	50,218	$	77,719	(35%)	$	250,397	$	278,900	(10%)
Manufacturing sales revenue		6,376		40,085	(84%)		63,568		118,667	(46%)
Relocatable structures revenue		3,755		3,974	(6%)		15,759		12,932	22%
Total revenue	$	60,349	$	121,778	(50%)	$	329,724	$	410,499	(20%)
EBITDAS	$	10,180	$	27,938	(64%)	$	66,339	$	91,181	(27%)
EBITDAS as a % of revenue		17%		23%			20%		22%	
Operating (loss) earnings	$	(2,392)	$	15,065	(116%)	$	19,585	$	45,747	(57%)

Camps & Catering segment revenues and EBITDAS declined significantly in Q4 2015 and for the full year 2015 compared to the same periods of 2014 due to the economic uncertainty and worsening economic conditions which persisted throughout 2015. The economic situation, driven in large part by the decline in the price of oil, caused customers to significantly reduce their capital programs, delay investment decisions and look for cost savings in the form of reduced pricing. Revenues and EBITDAS across all operations in the segment, with the exception of Relocatable Structures full year, were adversely impacted. This significant decline in the economic conditions quarter over quarter and year over year is the underlying context and is the fundamental driver for the discussion that follows.

Revenues from the Camps & Catering segment for the three months ended December 31, 2015 were $60.3 million, a decrease of $61.4 million or 50% compared to the three months ended December 31, 2014. EBITDAS for the three months ended December 31, 2015 were $10.2 million, a decrease of $17.8 million or 64% compared to the same period of 2014. The decrease in revenues were a result of lower activity levels and reduced pricing across all operations in the segment. Manufacturing operations were particularly impacted by the lack of demand accounting for $33.7 million of the segment revenue decrease as a result of fewer projects with smaller scope compared Q4 2014 which had a large oil sands camp project underway. Camp rental and catering operation revenues were down significantly between the comparative periods. This was a reflection of pricing reductions and lower volumes as customers reduced their costs by postponing or cancelling seasonal projects, and extending the winter break. The combination of all these factors resulted in fewer number of working days in December by up to ten days at many camps.

Revenues from the Camps & Catering segment for the year ended December 31, 2015 were $329.7 million, a decrease of $80.8 million or 20% compared to 2014. EBITDAS for the year ended December 31, 2015 were $66.3 million, a decrease of $24.8 million or 27% compared to 2014. The year over year decrease in revenues and EBITDAS were primarily a result of the significantly weaker economic conditions in 2015 which drove decreased demand for Horizon North's products, services and put downward pressure on pricing. The bright spot in 2015 was the Relocatable Structures operation which saw revenues increase year over year as a result of a focused effort to expand into the Alberta market and the impact of fleet additions from the second half of 2014. The year over year decrease in EBITDAS was primarily a result of the poor economic conditions, however the Camps & Catering segment experienced an additional $7.5 million of costs related to several significant factors. Manufacturing operations incurred higher costs throughout the year associated with a major oil sands camp project, severance costs related to restructuring and aligning headcount to the manufacturing demand, a provincial sales tax assessment and an increase in the allowance for doubtful accounts. As margins compressed across all operations throughout the year, Horizon North focused on improving its operational efficiency and actively worked with suppliers to decrease material and subcontract costs.

The lower results year over year underscore that Horizon North's activity in the Camps & Catering segment continue to be mainly driven by the resource sector, particularly oil sands and conventional oil and gas activity, with 83% of revenues for the year ended December 31, 2015 generated from this sector compared to 81% in the same period of 2014.

Large Camps

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

	Three months ended December 31			Years ended December 31		
Revenues *(000's)*	2015	2014	% change	2015	2014	% change
Large Camp revenue	$ 43,677	$ 60,425	(28%)	$ 212,010	$ 215,727	(2%)
Bed rental days [(1)]	487,945	524,565	(7%)	2,011,388	1,755,383	15%
Revenue per bed rental day	$ 90	$ 115	(22%)	$ 105	$ 123	(15%)
RevPAAB [(2)]	$ 50	$ 79	(37%)	$ 64	$ 78	(18%)
Rentable beds at period end	9,355	8,673	8%	9,355	8,673	8%
Average rentable beds [(3)]	9,492	8,285	15%	9,113	7,613	20%
Utilization [(4)]	56%	69%	(19%)	60%	63%	(5%)

(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) RevPAAB equals revenue per average available rentable bed calculated as Large Camp revenue divided by average rentable beds available in the period.
(3) Average rentable beds available is equal to total average beds in the fleet over the period less beds required for staff.
(4) Utilization equals the total number of bed rental days divided by average rentable beds available in the period.

Revenues from large camp operations, for the three months ended December 31, 2015 decreased by $16.7 million, or 28% compared to the same period of 2014. The decrease was a result of the down-turn in economic conditions which drove lower activity and lower pricing compared to Q4 2014. Customers decreased their costs in Q4 2015 by further reducing capital spending by postponing or cancelling seasonal projects and decreasing occupancy by extending their winter break. In December 2015 many camps had up to ten fewer working days compared to December 2014.

The key large camp metrics decreased for the three months ended December 31, 2015 compared to the same period of 2014 as a result of the declining economic environment discussed above. The downward pressure on pricing and customers' reduced capital spending was reflected in the 37% decrease in RevPAAB and 19% lower utilization compared to Q4 2014.

Revenues from the large camp operations, for the year ended December 31, 2015 decreased by $3.7 million, or 2% compared to 2014. The relatively small decrease in revenues, considering the economic challenges in 2015, were reflective of the very strong seasonal lift experienced in Q1 2015 and high activity levels in Q3 2015 related to fire camp work, both of which partially offset the lower revenues in the remainder of the year. The seasonal lift in Q1 2015 was mainly related to projects that customers had committed to in the last quarter of 2014.

Similar to the Q4 discussion above, most of the key large camp metrics for year ended December 31, 2015, decreased as a result of the challenging economic environment compared to 2014. Year over year RevPAAB and utilization decreased by 18% and 5% respectively however bed rental days increased as a result of strong seasonal activity in Q1 2015 and Q3 2015.

Drill Camps

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

	Three months ended December 31					Years ended December 31				
Revenues *(000's)*		2015		2014	% change		2015		2014	% change
Drill Camp revenue	$	2,119	$	4,308	(51%)	$	10,944	$	15,322	(29%)
Bed rental days (1)		15,370		26,421	(42%)		69,458		90,834	(24%)
Revenue per bed rental day	$	138	$	163	(15%)	$	158	$	169	(7%)
RevPAAB (2)	$	26	$	55	(53%)	$	37	$	49	(24%)
Number of rentable beds at period end		955		855	12%		955		855	12%
Average rentable beds (3)		903		855	6%		817		855	(4%)
Utilization (4)		19%		34%	(44%)		23%		29%	(21%)

(1) One bed rental day represents the provision of one bed for one day under a combined rental and catering manday rate.
(2) RevPAAB equals revenue per average available rentable bed calculated as Drill Camp revenue divided by average rentable beds available in the period.
(3) Average rentable beds available is equal to total average beds in the fleet over the period less beds required for staff.
(4) Utilization equals the total number of bed rental days divided by average rentable beds available in the period.

Revenues from drill camp operations for the three months ended December 31, 2015 decreased by $2.2 million or 51% compared to the same period of 2014. The decrease was due to the lower demand for drill camps driven by the significant decrease in drilling activity. The Canadian Association of Oil Drilling Contractors (CAODC) reported a 53% decrease in rig utilization between the comparative quarters. As a result, RevPAAB and utilization decreased by 53% and 44% respectively.

Revenues from drill camp operations for the year ended December 31, 2015 decreased by $4.4 million or 29% compared to 2014. The decrease was primarily related to the significantly lower rig utilization in 2015 which decreased by 48% year over year according to the CAODC data. The first quarter of 2015 was relatively consistent with Q1 2014 which helped to partially offset the lower activity and pricing experienced in the second half of 2015. RevPAAB and utilization decreased by 24% and 21% respectively.

Catering Only

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

	Three months ended December 31					Years ended December 31				
(000's for revenue only)		2015		2014	% change		2015		2014	% change
Catering only revenue	$	2,167	$	4,473	(52%)	$	11,902	$	15,271	(22%)
Catering only days(1)		23,597		36,658	(36%)		94,033		120,606	(22%)
Revenue per catering only day	$	92	$	122	(25%)	$	127	$	127	-

(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 services, with no associated bed rentals, for the three months ended December 31, 2015 decreased $2.3 million or 52% compared to same period of 2014. This decrease was mainly due to lower activity levels in the catering only for customer owned drill camps as a result of the significantly lower rig activity discussed above. Due to the lower demand catering rates declined by 25% compared to Q4 2014. Additionally, warm weather in the Northwest Territories delayed the start of a seasonal project to January 2016 whereas the same project was active in Q4 of 2014.

Revenues from the provision of catering and housekeeping services, with no associated bed rentals, for the year ended December 31, 2015 decreased $3.4 million or 22% compared to 2014. The lower revenues were primarily due to the full year impact of the lower drill camp activity and the project delay discussed above.

Service

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

	Three months ended December 31			Years ended December 31		
(000's)	2015	2014	% change	2015	2014	% change
Camp and catering service revenue	$ 2,255	$ 8,513	(74%)	$ 15,541	$ 32,580	(52%)

Service revenues are related to the transportation, set-up and de-mobilization of camps for customers. Revenues for the three months ended December 31, 2015 decreased $6.3 million or 74% compared to the same period in 2014, mainly driven by the lower demand for seasonal camps and drill camps which generate a significant portion of service activity.

Revenues for the year ended December 31, 2015 decreased $17.0 million or 52% compared to the same period in 2014 and was reflective of the lower demand for season camps and drill camps discussed above in the Large Camps and Drill Camps sections.

Manufacturing Sales

Manufacturing sales revenues include the in-plant construction, transportation and installation of camps sold to third parties. The table below outlines the key performance metrics used by management to measure performance in the manufacturing sales operations:

	Three months ended December 31			Years ended December 31		
(000's)	2015	2014	% change	2015	2014	% change
Manufacturing sales revenue	$ 6,376	$ 40,085	(84%)	$ 63,568	$ 118,667	(46%)

	Three months ended December 31				Years ended December 31			
	2015		2014		2015		2014	
	Direct Hours	% of total hours	Direct Hours	% of total hours	Direct Hours	% of total hours	Direct Hours	% of total hours
External hours	31,092	39%	209,285	76%	402,305	62%	633,374	57%
Internal hours	48,267	61%	65,409	24%	247,805	38%	468,152	43%
Total direct hours *(1)*	79,359	100%	274,694	100%	650,110	100%	1,101,526	100%

(1) Total direct hours incudes; direct hours worked in the manufacturing plants and on-site installation hours.

Revenues for the three months ended December 31, 2015, decreased by $33.7 million or 84% in the comparative quarter as a result of project timing and decreased demand. The fourth quarter of 2014 had a large oil sands camp project in full production, whereas Q4 2015 had fewer projects with smaller scope due to the diminished demand for manufacturing products and services.

Total direct hours, which include direct hours worked in the manufacturing plants and installation hours undertaken on project sites, for the three months ended December 31, 2015 were 79,359 hours, a decrease of 195,335 hours or 71% compared to the same period of 2014. The decrease in direct hours was a result of Horizon North managing production capacity through elimination of overtime, work share programs and headcount reductions to align with manufacturing demand. Of total direct hours, 39% were directed to external sales projects compared to 76% in the same period of 2014.

Revenues for the year ended December 31, 2015 decreased $55.1 million or 46% compared to 2014. The decrease was due to the timing of external sales projects and reduced demand for Manufacturing sales products and services compared to the 2014.

Total direct hours, which include direct hours worked in the manufacturing plants and installation hours undertaken on project sites, for the year ended December 31, 2015 were 650,110 hours, a decrease of 451,416 hours or 41% compared to 2014. The decrease in direct hours was a result of Horizon North managing headcount to align with manufacturing demand through elimination of overtime, implementing work share programs and reduction of headcount. A total of 62% direct hours were directed to external third party sales in 2015 compared to 57% in 2014.

Relocatable Structures

Relocatable structures revenues include the rental of relocatable structures and the associated transportation and service. Relocatable Structures include office units, lavatory units, mine dry units and associated equipment.

	Three months ended December 31			Years ended December 31		
(000's)	2015	2014	% change	2015	2014	% change
Relocatable structures revenue	$ 3,755	$ 3,974	(6%)	$ 15,759	$ 12,932	22%

Revenues for the three months ended December 31, 2015 were $3.8 million, a decrease of $0.2 million or 6% compared to the same period of 2014. The decrease in revenue was primarily a result of lower utilization on a larger fleet with 211 more units in Q4 2015 compared to the same period of 2014. Utilization in the fourth quarter of 2015 was 50% of 1,414 units compared to 77% of 1,203 units in the comparative quarter of 2014. The decrease in utilization was partially offset by stronger service activity which is driven by the different mix of contracts and equipment between the comparative periods.

Revenues for the year ended December 31, 2015 were $15.8 million, an increase of $2.8 million or 22% compared to 2014. The increased revenue was mainly attributable to higher service activity as a result of the different mix of contracts and equipment on rent. 2015 generally experienced an increase in multi-unit complexes and shorter contract terms. Utilization for the year ended 2015 was 62% of 1,414 units compared to 69% of 1,203 units in 2014.

Direct costs

Direct costs for the three months ended December 31, 2015 were $47.8 million or 79% of revenues compared to $91.0 million or 75% of revenue for the same period of 2014. Direct costs are closely related to business volumes and revenue mix with direct costs consisting primarily of labour, raw material, trucking, rent and utility costs. The decrease in direct costs, compared to Q4, 2014, were primarily related to the significantly lower activity levels, particularly in the manufacturing operations. Direct costs as a percentage of revenue increased by 4% in large part due to an additional $2.0 million of direct costs related to increased labour, travel and accommodation costs associated with a significant oil sands camp project and severance associated with managing headcount to the volume of activity. Normalizing for this additional project cost, direct costs as a percentage of revenue would have been 76% relatively consistent with Q4 2014. The remaining increase was driven as a result of not being able to pass all of the pricing reductions through to Horizon North suppliers.

Direct costs for the year ended December 31, 2015 were $255.0 million or 77% of revenue compared to $311.3 million or 76% of revenue for 2014. Direct costs decreased as a result of the lower volumes discussed above however, direct costs as a percentage of revenue increased by 1%. Throughout the year the segment experienced $6.3 million of increased costs related to several factors. Manufacturing operations incurred increased labour, travel and accommodation costs related to a significant oil sands camp project, severance costs associated with restructuring and aligning headcount to the manufacturing demand and a provincial sales tax assessment. Normalizing for these costs direct costs would have been 75% of revenue. Of note is the direct cost, as a percentage of revenue, is very consistent year over year indicating a reasonably good level of success in reducing directs costs to align with the decreased pricing experienced throughout 2015.

Matting

Matting revenues are 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 December 31			Years ended December 31		
(000's except mat rental days and numbers of mats)	2015	2014	% change	2015	2014	% change
Access mat rental revenue[(1)]	$ 1,862	$ 3,093	(40%)	$ 10,949	$ 13,611	(20%)
Other mat and rental equipment revenue[(2)]	$ 341	$ 831	(59%)	$ 1,530	$ 2,924	(48%)
Total mat and rental equipment revenue	$ 2,203	$ 3,924	(44%)	$ 12,479	$ 16,535	(25%)
Mat sales revenue	2,516	2,495	1%	6,435	20,601	(69%)
Installation, transportation, service and other revenue	3,903	8,099	(52%)	22,355	30,036	(26%)
Total revenue	$ 8,622	$ 14,518	(41%)	$ 41,269	$ 67,172	(39%)
EBITDAS	$ 1,139	$ 4,062	(72%)	$ 9,090	$ 15,505	(41%)
EBITDAS as a % of revenue	13%	28%		22%	23%	
Operating earnings (loss)	$ (1,333)	$ 1,128	(218%)	$ (295)	$ 7,300	(104%)
Access mat rental days – owned mats[(3)]	1,184,252	1,273,117	(7%)	6,080,787	4,413,357	38%
Access mat rental days – third party mats[(4)]	196,486	197,959	(1%)	1,360,685	1,837,077	(26%)
Total access mat rental days	1,380,738	1,471,076	(6%)	7,441,472	6,250,434	19%
Average owned access mats in rental fleet[(5)]	29,287	23,411	25%	28,951	19,438	49%
Average sub rental access mats in rental fleet[(6)]	2,136	2,151	(1%)	3,708	5,000	(26%)
Owned access mats in rental fleet at period end[(7)]	28,714	23,325	23%	28,714	23,325	23%
Mats sold:						
New mats	2,120	1,755	21%	2,520	24,215	(90%)
Used Mats	1,870	1,516	23%	7,886	6,498	21%
Total mats sold	3,990	3,271	22%	10,406	30,713	(66%)

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

For both Q4 2015 and the full year 2015, revenues and EBITDAS declined markedly compared to the same periods of 2014 as a result of the uncertain economic conditions which deteriorated as the year progressed. The decline in the price of oil caused customers to significantly reduce their capital programs and look for cost savings in the form of reduced pricing. As a result, revenues and EBITDAS in all Matting operations in every quarter of 2015 were adversely impacted.

Revenues from the Matting segment for the three months ended December 31, 2015 were $8.6 million, a decrease of $5.9 million or 41% compared to the same period of 2014. EBITDAS for the three months ended December 31, 2015 were $1.1 million, a decrease of $2.9 million or 72% compared to the same period of 2014.

Revenues from the Matting segment for the year ended December 31, 2015 were $41.3 million, a decrease of $25.9 million or 39% compared to 2014. EBITDAS for the year ended December 31, 2015 were $9.1 million, a decrease of $6.4 million or 41% compared to 2014.

Mat and rental equipment revenue

Mat and equipment rental revenues for the three months ended December 31, 2015 decreased by 44% compared to the same period of 2014 as a result of lower demand and pricing. Rental mat utilization was 44%, a decrease of 25% compared to the same quarter of 2014 with revenue per mat rental day of $1.35, a decrease of 36% from Q4 2014. The access mat fleet ended the quarter at 28,714 mats, an increase of 5,389 mats compared to Q4 of 2014.

For the year ended December 31, 2015, mat and equipment rental revenues decreased 25% compared to 2014. Both activity levels and pricing softened year over year with 58% utilization and revenue per mat rental day of $1.47 in 2015 compared to 62% and $2.18 respectively in 2014. The mat fleet ended the year at 28,714 mats, an increase of 5,389 mats compared to 2014.

Mat sales revenue

Revenues from mat sales for the three months ended December 31, 2015 were relatively consistent with the same quarter of 2014 as a result of a large mat sale late in Q4 2015. Both new and used mat sales increased by 22% however the flat revenue quarter over quarter was reflective of a lower mat sales price in Q4 2015. The average price per mat was $631 per mat compared to $763 per mat in the same period of 2014 with the mix of new and used mats sold consistent in each comparative quarter.

Revenues from mat sales for the year ended December 31, 2015 decreased by 69% as a result of customers significantly reducing their capital programs compared to 2014.

Installation, transportation, service, and other revenue

Installation, transportation, service, and other revenues are driven mainly from the level of activity in the mat rental, mat sale and mat management businesses and are charged for separately from rentals and sales.

Revenues for the three months ended December 31, 2015 decreased 52% compared to the same period in 2014. The decrease in revenue was the result of the lower activity levels in the mat rental, sales operations and decreased demand for mat management services.

Revenues for the year ended December 31, 2015 decreased 26% compared to 2014 as a result of the significantly reduced demand for matting products and services compared to 2014.

Direct costs

Direct costs for the three months ended December 31, 2015 were $7.1 million or 82% of revenue compared to $10.2 million or 71% of revenue for the same period of 2014. Direct costs are driven by both the level and mix of business activity with the decrease in overall direct costs in Q4 2015 compared to Q4 2014 a result of the revenue mix shifting towards lower margin activity such as transportation and new mat sales. As a percentage of revenue, direct costs increased in the three months ended December 31, 2015 compared to the same period of 2014 mainly due to new mat sales which have a much lower margin than used mat sales.

Direct costs for the year ended December 31, 2015 were $30.4 million or 74% of revenue compared to $50.6 million or 75% of revenue for 2014. Direct costs are driven by both the level and mix of business activity. The decrease in direct costs year over year was mainly due to an overall decrease in business activity, particularly new mat sales. Of note is the direct cost, as a percentage of revenue, is very consistent year over year indicating a reasonably good level of success in reducing directs costs to align with the decreased pricing experienced throughout 2015.

Corporate

Corporate costs are the costs of the head office which include the President and Chief Executive Officer, Senior Vice President Finance and Chief Financial Officer, Vice President Quality & HSE, Vice President Aboriginal & Community Relations, Corporate Secretary, corporate accounting staff, information technology, human resources, and associated costs of supporting a public company. Corporate costs for the three months ended December 31, 2015 were $2.8 million, a decrease of $1.4 million or 34% in comparison to Q4 2014. Corporate costs in Q4 2014 included a retirement allowance of the previous chief executive officer in November 2014, normalizing for the allowance, Q4 2015 was $0.5 million lower than Q4 2014. The decrease related mainly to cost reduction initiatives such as restricted travel and entertainment.

For the year ended December 31, 2015, corporate costs were $13.0 million, a decrease of $0.9 million or 6% in comparison to the same period in 2014. Both years included costs associated with restructuring costs, a retiring allowance in Q4 2014 and severance in Q3 2015. Normalizing for these costs, 2015 corporate costs would have been $12.6 million compared to $12.9 million in 2014. The decrease of $0.3 million was related to cost reduction initiatives in 2015.

Corporate costs as a percentage of total revenue for the three months and year ended December 31, 2015 were 4% respectively compared to 3% in each of the comparative periods of 2014. The increase as a percentage of revenue in the three months and year ended December 31, 2015 was a result of decreased revenues throughout the year.

Other Items

Selling and administrative

Total selling and administrative expenses are comprised of business development costs in the Camps & Catering, Matting and Corporate segments which include the Vice President, Sales and Marketing. For the three months ended December 31, 2015 costs were $5.5 million, a decrease of $1.8 million or 24% compared to Q4 2014. The decrease was attributable to lower corporate costs as described above. As a percentage of revenue, selling and administrative expenses for the three months ended December 31, 2015 were 8% compared to 5% in the comparative quarter, mainly due to lower revenues in Q4 2015.

For the year ended December 31, 2015, costs were $23.2 million, relatively consistent compared to the same period in 2014. As a percentage of revenue, selling and administrative expenses for the year ended December 31, 2015 were 6%, compared to 5% in 2014 due to lower revenues in 2015.

Depreciation and amortization

	Three months ended December 31			Years ended December 31		
(000's)	2015	2014	% change	2015	2014	% change
Depreciation of property, plant and equipment	$ 13,550	$ 15,067	(10%)	$ 53,964	$ 53,927	-
Amortization of intangibles	-	531	(100%)	-	2,968	(100%)
Total depreciation and amortization	$ 13,550	$ 15,598	(13%)	$ 53,964	$ 56,895	(5%)

Depreciation of property, plant and equipment decreased $1.5 million or 10% in the three months ended December 31, 2015 compared to the same period of 2014. The decrease was mainly related to large camp setup costs which were fully depreciated by the end of Q4 2015.

Depreciation of property, plant and equipment remained consistent for the year ended December 31, 2015 compared to 2014 mainly due to the timing of when camp setup costs were fully depreciated and setup costs related to new camps began depreciating.

Amortization costs related to customer relationships decreased for the three and year ended December 31, 2015 by $0.5 million or 100% and $3.0 million or 100% respectively as a result of the relationships being fully amortized in Q4, 2014.

Impairment

	Three months ended December 31			Years ended December 31		
(000's)	2015	2014	% change	2015	2014	% change
Impairment of goodwill	$ 1,664	$ -	100%	$ 1,664	$ -	100%
Total impairment loss	$ 1,664	$ -	100%	$ 1,664	$ -	100%

The poor economic conditions, resulting from the decline in oil and gas prices, impacted the current and future activity levels and were indicators of impairment. Horizon North completed the required impairment testing using a multi-year discounted cash flow approach to determine if an impairment existed. It was determined that there was an indication of impairment in the Camps & Catering cash generating unit which resulted in an impairment charge against goodwill.

Financing costs

Financing costs include interest on loans and borrowings and interest of notes payable. For the three months ended December 31, 2015, financing costs were $0.6 million, a decrease of $0.8 million or 60% compared to 2014. For the year ended December 31, 2015, financing costs were $3.5 million, a decrease of $1.1 million or 23% compared to 2014.

The decrease in financing costs was mainly a result of lower average debt levels throughout the year which averaged $92.7 million compared to $126.6 million in 2014. The effective interest rate on loans and borrowings for 2015 was 3.2% compared to 3.3% in 2014. The slightly lower effective interest rate was a result of a decrease in the prime rate and the proportion of debt carried in bankers acceptances compared to 2014.

Income taxes

For the year ended December 31, 2015, income tax expense was $2.5 million an effective tax rate of 150.9%, for the year ended December 31, 2014 income tax expense was $9.3 million, an effective tax rate of 28.2%. The increased tax rate is mainly due to the Alberta provincial income tax rate increasing from 10% to 12% which became substantively enacted in June 2015. As a result, the Corporation revalued its deferred income tax balances, resulting in a deferred income tax expense adjustment of $2.2 million.

Gain/Loss on disposal

For the three months ended December 31, 2015, Horizon North recognized gains of $0.1 million compared to losses of $0.2 million in Q4 2014. These gains and losses were normal course disposals as part of the on-going management of fleet assets.

For the year ended December 31, 2015, Horizon North recognized a loss of $0.3 million related to normal course fleet management. The same period of 2014 included a $3.7 million gain on disposal of camp assets and property related to the northern assets.

Liquidity and Capital Resources

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

(000's)	December 31, 2015	December 31, 2014
Current assets	$ 67,519	$ 134,342
Current liabilities excluding loans and borrowings[1]	32,443	60,337
Current portion of loans and borrowings	-	7,668
Current liabilities	32,443	68,005
Working capital[2]	$ 35,076	$ 66,337
Bank borrowing:		
Available credit facility	$ 200,000	$ 175,000
Drawings on credit facility	57,527	146,370
Borrowing capacity[3]	$ 142,473	$ 28,630

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

Working capital at December 31, 2015 was $35.1 million compared to $66.3 million at December 31, 2014, a decrease of $31.3 million. The decrease in working capital was primarily due to the overall decrease in business activity in 2015 as a result of the economic downturn. Working capital was also reduced by the repayment of loans related to fleet equipment buyouts in the latter half of 2015. Borrowing capacity increased by $113.8 million mainly as a result of the bought deal equity financing which closed on July 8, 2015 with the net proceeds of $76.6 million applied to debt.

The Corporation's committed credit facility ("credit facility") has an available limit of $200.0 million and is secured by a $400.0 million first fixed and floating charge debenture over all assets of the Corporation and its wholly-owned subsidiaries. The interest rate is calculated on a grid pricing structure based on the Corporation's debt to EBITDAS ratio. Debt to EBITDAS is calculated as at the quarter end for the most recently completed calendar quarter and for the 12 months ended on such date. Amounts drawn on the credit facility incur interest at bank prime rate plus 0.50% to 1.75% or the Bankers' Acceptance rate plus 1.50% to 2.75%. The credit facility has a standby fee ranging from 0.34% to 0.62%. Amounts borrowed under the credit facility become due on March 31, 2018, the maturity date of the credit facility.

As at December 31, 2015, the Corporation was in compliance with all financial and non-financial covenants as shown below:

Debt Covenants	Covenants December 31, 2015
Maximum Consolidated Senior debt [(1)] to Consolidated EBITDAS ratio [(3)(4)] (must be 3.00:1.00 or less)	0.92:1.00
Maximum Consolidated Total debt [(2)] to Consolidated EBITDAS ratio [(3)(5)] (must be 4.25:1.00 or less)	0.92:1.00
Minimum Consolidated Interest coverage ratio[(6)] (must be 3.00:1.00 or more)	19.0:1.00

(1) Senior debt is calculated as the sum of current and long-term portions of loans and borrowings less vehicle and equipment financing.
(2) Total debt is calculated as the sum of current and long-term portions of loans and borrowings.
(3) 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 North's method of calculating EBITDAS may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities.
(4) Senior debt to EBITDAS is calculated as the ratio of senior debt to trailing 12 months EBITDAS.
(5) Total debt to EBITDAS is calculated as the ratio of total debt to trailing 12 months EBITDAS.
(6) Interest coverage is calculated as the ratio of trailing 12 months EBITDAS to 12 months trailing interest expense on loans and borrowings.

Capital Spending

For the year ended December 31, 2015, capital spending was $54.4 million compared to $114.6 million in the same period of 2014 as a result of a focused and disciplined 2015 capital program. Capital in 2015 was mainly focused on replacement and expansion of the large camp and drill camp rental fleet and land improvements related the Kitimat property compared to the same period of 2014 which focused on the relocatable structures fleet.

Management evaluates and manages its capital spending plans taking into account proceeds from the sale of property, plant and equipment of $9.8 million resulting in net capital spending for the year ended December 31, 2015 of $44.6 million compared to $99.6 million for the same period of 2014.

Horizon North does not currently have any material capital commitments associated with contracts to supply equipment or to purchase property, plant and equipment. Capital spending was funded primarily from cash from operations and the credit facility.

Quarterly Summary of Results

	Three months ended				Year ended
(000's except per share amounts)	March 2015	June 2015	September 2015	December 2015	December 2015
Revenue	$ 133,968	$ 84,888	$ 82,311	$ 68,722	$ 369,889
EBITDAS	29,414	10,093	14,435	8,518	62,460
Operating earnings (loss)	15,439	(4,034)	313	(6,940)	4,778
Total profit (loss)	10,282	(5,958)	(170)	(4,986)	(832)
Total comprehensive income (loss)	10,700	(6,308)	(273)	(4,894)	(775)
Earnings (loss) per share – basic	$ 0.09	$ (0.05)	$ -	$ (0.04)	$ (0.01)
Earnings (loss) per share – diluted	$ 0.09	$ (0.05)	$ -	$ (0.04)	$ (0.01)

	Three months ended				Year ended
(000's except per share amounts)	March 2014	June 2014	September 2014	December 2014	December 2014
Revenue	$ 122,211	$ 96,094	$ 121,895	$ 135,860	$ 476,060
EBITDAS	23,550	15,496	26,046	27,774	92,866
Operating earnings	11,430	1,871	12,691	11,510	37,502
Total profit	7,718	680	8,065	7,183	23,646
Total comprehensive income	7,917	602	8,178	7,329	24,026
Earnings per share – basic	$ 0.07	$ 0.01	$ 0.07	$ 0.06	$ 0.21
Earnings per share – diluted	$ 0.07	$ 0.01	$ 0.07	$ 0.06	$ 0.21

Horizon North is a service provider to the resource sector and its performance typically follows fluctuations in commodity pricing and activity levels in the sector. These fluctuations can create an increasingly competitive environment resulting in downward pressure on pricing and reduced demand for Horizon North's products and services. As well, Horizon North's decisions on the allocation of manufacturing resources and decisions on the relocation of the camp and catering fleet can have an impact on performance. The allocation of manufacturing resources between external projects and internal fleet requirements can significantly affect the timing of revenues between the quarters. This was evident in 2015 when a significant portion of manufacturing resources were allocated to external fleet in order to execute announced projects. The movement and redeployment of camps impacts performance as well, when camps are relocated to new areas or new contracts there are typically several months of down time to complete the relocations. In addition, there has been an increasingly competitive environment in the resource sector which has exerted downward pressure on pricing. Horizon North continues to invest in fleet capital to remain competitive in the Alberta oil sands area and to expand in northeastern British Columbia to serve natural gas exploration and development activities.

Risks and Uncertainties

Volatility of Oil, Natural Gas and Mining Industry Conditions

The demand, pricing and terms for Horizon North's products and services depend upon the level of industry activity for oil, natural gas and mineral exploration and development in the western Canadian provinces and territories. Industry conditions are influenced by numerous factors over which Horizon North has no control, including: oil, natural gas and mineral prices; expectations about future oil, natural gas and mineral prices; the cost of exploring for, producing and delivering oil, natural gas and minerals; the expected rates of declining current production; the discovery rates of new oil, natural gas and mineral reserves; available pipeline and other oil, natural gas transportation capacity; demand for oil, natural gas and minerals; weather conditions; global political, military, regulatory and economic conditions; and the ability of oil, 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, changing the economic feasibility of industry development projects. No assurance can be given that expected trends in oil, natural gas and mineral production activities will continue or that demand for services provided by Horizon North will reflect the level of activity in the industry. Any prolonged substantial reduction in oil, natural gas, and mineral prices would likely affect activity levels in these industries and therefore affect the demand for the services provided by Horizon North.

Competition

Horizon North provides products and services primarily to oil, natural gas and mineral exploration and production companies in the western Canadian provinces and northern territories. The service businesses in which Horizon North operates are highly competitive. To be successful, Horizon North 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 North 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 North competes with several competitors, these competitors offer similar services in geographic areas in which Horizon North operates. As a result of competition, Horizon North'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 North. 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 North's ability to generate revenue and earnings.

Credit Risk

A substantial portion of Horizon North's trade and other accounts receivable are with customers involved in the oil, 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 North's cash flow may not be sufficient to fund its ongoing activities at all times. From time to time, Horizon North may require additional financing. Failure to obtain such financing on a timely basis could cause Horizon North to miss certain acquisition opportunities or prevent further growth of its operations. If Horizon North's revenues decrease, it will affect Horizon North's ability to expend the necessary capital to maintain its operations. If Horizon North'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 North.

Labour Relations

The largest component of Horizon North'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 North. In addition, Horizon North will be at risk if there are any labour disruptions. Horizon North 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 North depend on successful execution of contracts. The key factors which will determine whether a client will continue to use Horizon North will be service quality, availability, reliability and performance of equipment used to perform its services, technical knowledge, experience, safety record, ongoing safety programs and competitive pricing. There can be no assurance that Horizon North'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 North's business, financial condition and results of operations.

Significant Customers

The Corporation had two major customers during 2015 who generated 25% of total revenues compared to one major customer who generated 11.2% of total revenue in 2014. There can be no assurance that Horizon North'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 North's business, financial condition and results of operations.

Reliance on Key Personnel

Horizon North'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 North. Horizon North does not have key person insurance in effect for management. The contributions of these individuals to the immediate operations of Horizon North 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 North.

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 North 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 North 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 North 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 North 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 North's operations and facilities and those of its customers. A number of Horizon North'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 North's services.

Management is unable to predict the impact of potential emissions targets and it is possible that changes could adversely affect Horizon North'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 North's ability to provide its services economically.

Aboriginal & Community Relations

A component of Horizon North's business strategy is based on developing and maintaining positive relationships with the aboriginal people and communities in the areas where Horizon North operates. These relationships are important to Horizon North'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 North's business strategy, growth and profitability.

Seasonal Operations

Each of Horizon North's businesses are affected by the seasonality associated with western Canadian oil and natural gas drilling industry. Camps & Catering segment is exposed to seasonality where the busiest months are January through March and the slowest months are April through September. 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 North's business, it is subject to a number of regulations, environmental laws and risks associated with lawsuits arising from accidents and claims. Horizon North manages these risks through a combination of quality management, training and by securing insurance coverage to protect the assets of Horizon North in the event of litigation.

Changes in Accounting Policies

There were no new standards, amendments and interpretations to existing standards adopted by the Corporation.

Critical Accounting Estimates and Judgments

This MD&A 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.

Construction Receivable Estimate

The Corporation recognizes that the value of many construction contracts increase over the duration of the construction period. Change orders may be issued by customers to modify the original contract scope of work or certain conditions may result in possible disputes or claims regarding additional amounts owing may arise. Construction work related to a change order or claim may proceed, and costs may be incurred, in advance of final determination of the value of the change order. As many change orders and claims may not be settled until the end of the construction project, significant increases or decreases in revenue and income may arise during any particular accounting period.

Collectability of receivables

The Corporation estimates the collectability of accounts receivable, including unbilled accounts receivable related to current period service revenue. An analysis of historical bad debts, client credit-worthiness, the age of accounts receivable and current economic trends and conditions are used to evaluate the adequacy of the allowance for doubtful accounts and the collectability of amounts receivable. Significant estimates must be made and used in connection with establishing the allowance for doubtful accounts in any accounting period. Material differences may result if management made different judgments or utilized different estimates.

Asset Retirement Obligations ("ARO")

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

Impairment

The Corporation is required to make a judgement for the need for impairment at each reporting date by evaluating conditions specific to the organization that may lead to impairment of assets.

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 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 and accrued revenue, 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 in trade receivable and accrued revenue which have been outstanding for periods which are considered abnormal for each customer. The Corporation establishes an allowance for doubtful accounts for specifically identifiable customer balances which are assessed to have credit risk exposure.

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

(000's)	December 31, 2015	December 31, 2014
Neither impaired nor past due	$ 24,283	$ 36,511
Outstanding 31-60 days	6,345	14,994
Outstanding 61-90 days	1,045	4,761
Outstanding more than 90 days	1,684	1,861
Total	33,357	58,127
Accrued revenue	8,332	20,634
Construction receivables	9,270	36,863
Other receivables	159	1,183
Allowance for doubtful accounts	(2,240)	(733)
Total trade and other receivables	$ 48,878	$ 116,074

In the twelve months ended December 31, 2015, the Corporation provided an allowance for $2.2 million of receivables aged greater than 90 days. As at February 24, 2015, the Corporation has collected $0.3 million on amounts outstanding more than 90 days.

Construction receivables represent progress billings to customers under open construction contracts, holdback amounts billed on construction contracts which are not due until the contract work is substantially completed, amounts recognized as revenue under open construction contracts not billed to customers and highly probable claims. At December 31, 2015, included in construction receivables were holdbacks of $850,000 (2014 - $6,800,000). The total of construction receivables aged less than 90 days was 53% at December 31, 2015 (2014 – 68%).

(c) Liquidity risk

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

To manage liquidity risk, the Corporation forecasts operational results and capital spending on a regular basis. Actual results are compared to these forecasts to monitor the Corporation's ability to continue to meet spending forecasts.

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

	December 31, 2015		December 31, 2014	
	Trade and other payables(1)	Loans and borrowings(2)	Trade and other payables(1)	Loans and borrowings(2)
Year 1	$ 31,611	$ -	$ 58,069	$ 7,668
Year 2	-	57,100	-	146,370
Year 3	3,136	427	-	-
Year 4	-	-	-	-
Year 5 and beyond	5,927	-	5,890	-
	$ 40,674	$ 57,527	$ 63,959	$ 154,038

(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 North'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 twelve months ended December 31, 2015 by approximately $82,625 (December 31, 2014 - $136,000). This assumes that the quantity of USD raw material purchases and the foreign operations in the year remain unchanged and that the change in the USD/CAD exchange rate is effective from the beginning of the year.

(ii) Interest rate risk

The Corporation is exposed to interest rate risk as changes in interest rates may affect interest expense and future cash flows. The primary exposure is related to the Corporation's revolving credit facility which bears interest at a rate of prime plus 0.5% to 1.75%. If prime were to have increased by 1.00%, it is estimated that the Corporation's net earnings would have decreased by approximately $855,725 for the twelve months ended December 31, 2015 (December 31, 2014 - $1,254,000). This assumes that the amount and mix of fixed and floating rate debt in the year remains unchanged and that the change in interest rates is effective from the beginning of the year.

Outstanding Shares

Horizon North had 132,606,651 voting common shares issued and outstanding options to purchase 2,709,455 shares for a total potential of 135,316,106 shares as at February 24, 2016.

Off Balance Sheet Financing

Horizon North 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, 2015, an evaluation was carried out, under the supervision of the CEO and the Senior Vice President Finance and CFO, of the effectiveness of the design and operation of Horizon North'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 Senior Vice President Finance and CFO have concluded that, as at December 31, 2015, Horizon North's DC&P, as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, were effective.

Throughout 2016, Horizon North will continue to evaluate its DC&P making modifications from time-to-time as deemed necessary. There were no changes in Horizon North's DC&P that occurred during the period ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, Horizon North'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 North'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
- 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, 2015, an evaluation was carried out, under the supervision of the CEO and the Senior Vice President and CFO, of the effectiveness of Horizon North'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) in 2013.

Based on this evaluation, management concluded that the design and operating effectiveness of Horizon North's ICFR was effective as of December 31, 2015.

Throughout 2016, Horizon North will continue to evaluate its ICFR making modifications from time-to-time as deemed necessary. There were no changes in Horizon North's ICFR that occurred during the period ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, Horizon North'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.

Non-GAAP measures

Certain measures in this MD&A do not have any standardized meaning as prescribed by generally accepted accounting principles ("GAAP") and, therefore, are considered non-GAAP measures. These measures are regularly reviewed by the Chief Operating Decision Maker and provide investors with an alternative method for assessing the Corporation's operating results in a manner that is focused on the performance of the Corporation's ongoing operations and to provide a more consistent basis for comparison between periods. These measures should not be construed as alternatives to total profit and total comprehensive income determined in accordance with GAAP as an indicator of the Corporation's performance. The method of calculating these measures may differ from other entities and accordingly, may not be comparable to measures used by other entities. The following non-GAAP measures are used to monitor the Corporation's performance:

EBITDAS: Earnings before finance costs, taxes, depreciation, amortization, gain/loss on disposal of property, plant and equipment and share based compensation ("EBITDAS"). 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.

Debt to total capitalization: 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.

Reconciliation of non-GAAP measures

The following provides a reconciliation of non-GAAP measures to the nearest measure under GAAP for items presented throughout the MD&A.

EBITDAS

	Three months ended December 31		Years ended December 31	
(000's)	2015	2014	2015	2014
Total (loss) profit	$ (4,986)	$ 7,183	$ (832)	$ 23,646
Add:				
Share based compensation	336	485	1,717	2,135
Depreciation & amortization	13,550	15,598	53,964	56,895
Impairment loss	1,664	-	1,664	-
(Gain) loss on disposal of property, plant and equipment	(92)	181	337	(3,666)
Finance costs	556	1,383	3,491	4,551
Earnings on equity investments	(347)	-	(347)	-
Income tax (recovery) expense	(2,163)	2,944	2,466	9,305
EBITDAS	$ 8,518	$ 27,774	$ 62,460	$ 92,866

Related Parties

(000's)	December 31, 2015		December 31, 2014	
Joint venture				
Recovery of administrative overhead	$	60	$	60
Included in accounts receivable		32		-
Key management personnel interests				
Sales	$	2,134	$	1,285
Included in accounts receivable		54		475

The Corporation earned a management fee for the year ended December 31, 2015 of $60,000 (2014 - $60,000) for the recovery of administrative overhead relating accounting and management services provided to Arctic Oil & Gas Services Ltd ("AOGS"), a joint venture that is 50% owned by the Corporation.

AOGS earned revenue during the year ended December 31, 2015 of $2,134,000 (2014 – $1,285,000) for catering services provided to E. Gruben's Transport Ltd, a company whereby a director of the Corporation is the Chief Executive Officer. The amounts included in trade receivables of AOGS as at December 31, 2015 is $54,000 (2014 – $475,000).

All related party transactions are in the normal course of operations and have been measured at the agreed exchange amounts, which is the amount of consideration established and agreed to by the related parties and is similar to those negotiated with third parties. All outstanding balances are to be settled with cash, and none of the balances are secured.

Advisories

This Management's Discussion and Analysis, prepared as at February 24, 2016 focuses on key statistics from the Consolidated Financial Statements and pertains to known risks and uncertainties relating to the business carried on by Horizon North. 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 Statements and Information

Certain statements contained in the Management Discussion and Analysis constitute forward-looking statements or information. These statements relate to future events or future performance of Horizon North. 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 North anticipates the uncertainty and volatility seen in 2015 to persist through 2016 with continued weaker demand and depressed pricing for its products and services. It is anticipated that customers will continue to reduce capital programs and delay investment decisions as well as look at all opportunities to lower operating costs throughout 2016.

As a priority, in light of the current economic environment Horizon North will continue to protect the strong balance sheet it currently has. Minimizing working capital and a reduced capital program will be a strong focus. Capital spending will be limited to key initiatives and required maintenance with growth capital limited to new contracted projects.

Horizon North will continue forward on the journey of transformational change that began in 2015. Horizon North will continue to realign and restructure the Corporation to focus on delivering a more fully integrated product and service offering model, diversify the business base and drive operational efficiency. Diversifying the business base will focus on expanding into the permanent modular and facilities management markets.

Horizon North will continue to develop and secure key land locations close to proposed LNG projects sites on the west coast of British Columbia. However, this will be done using a measured approach with the timing of capital spending aligned with projects as they emerge. Executing these strategies are key to weathering the downturn and positioning Horizon North for the recovery."

Many factors could cause the performance or achievements of Horizon North 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.

The forward-looking statements and information are based on certain assumptions made by Horizon North which include, but are not limited to, assumptions relating to:

- industry activity for oil, natural gas and mineral exploration and development in the western Canadian provinces and northern territories;
- commodity prices;
- anticipated activity levels for 2016;
- future operating costs and Corporation's access to capital;
- the effects of regulation by governmental agencies;
- the competitive environment in the which the Corporation operates;
- the ability of the Corporation to attract and retain personnel;
- the development of LNG and commodity transportation infrastructure;
- the relationships between the Corporation and its customers; and
- general economic and financial conditions.

Although Horizon North believes that the expectations and assumptions on which the forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because Horizon North cannot give any assurance that they will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of known and unknown risks and uncertainties. Such risks and uncertainties include, but are not limited to, the following:

- volatility in the price and demand for oil, natural gas and minerals;
- fluctuations in the demand for the Corporation's services;
- availability of qualified personnel;
- changes in regulation by governmental agencies, including environmental regulation; and
- other factors listed under "Risks and Uncertainties" in this MD&A and other risk factors identified in the Corporation's annual information form.

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 North's operations and financial results are included in Horizon North's annual information form which may be accessed through the SEDAR website at www.sedar.com. In addition, the reader is cautioned that historical results are not indicative of future performance. The forward-looking statements and information contained in this MD&A are made as of the date hereof and Horizon North does not undertake any obligation to update publicly or revise any forward-looking statements and information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Certain information set out herein may be considered as "financial outlook" within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding Horizon North's reasonable expectations as to the anticipated results of its proposed business activities for the periods indicated. Readers are cautioned that the financial outlook may not be appropriate for other purposes.