This Management's Discussion and Analysis ("MD&A"), prepared as at July 29, 2014, focuses on key statistics from the Condensed Consolidated Interim Financial Statements and pertains to known risks and uncertainties relating to the business carried on by Horizon North Logistics Inc. ("Horizon" or the "Corporation"). This discussion should not be considered all-inclusive, as it does not attempt to include changes that may occur in general economic, political and environmental conditions.

Second Quarter Highlights

- Manufacturing sales revenues were, as expected, significantly lower compared to the same period of last year as manufacturing capacity was dedicated mainly towards executing internal projects; margins were negatively affected by higher than expected costs related to completing a significant oil sands project;
- Matting revenues increased driven by strong mat sales and mat rental demand; margins were negatively impacted by a more competitive pricing environment, higher lumber pricing affecting mat construction costs and by a shift in revenue mix;
- Camp rental and catering operations were impacted by the seasonality of Q2 and delay of a camp project that was expected to be generating revenue throughout the quarter but began operating towards the end of the period;

Second Quarter Financial Summary

	Three months ended June 30			Six months ended June 30		
(000's except per share amounts)	2014	2013	% Change	2014	2013	% Change
Revenue	$ 96,094	$ 148,426	(35%)	$ 218,305	$ 288,385	(24%)
EBITDAS[(1)]	15,496	32,708	(53%)	39,046	69,341	(44%)
EBITDAS as a % of revenue	16%	22%		18%	24%	
Operating earnings	1,871	14,257	(87%)	13,301	37,466	(64%)
Operating earnings as a % of revenue	2%	10%		6%	13%	
Total profit	680	10,123	(93%)	8,398	26,632	(68%)
Total comprehensive income	602	9,986	(94%)	8,519	26,370	(68%)
Earnings per share – basic	$ 0.01	$ 0.09	(89%)	$ 0.08	$ 0.24	(67%)
– diluted	$ 0.01	$ 0.09	(89%)	$ 0.08	$ 0.24	(67%)
Total assets	513,060	499,135	3%	513,060	499,135	3%
Long-term loans and borrowings	126,417	121,516	4%	126,417	121,516	4%
Cash from operations	37,579	23,252	62%	33,399	29,327	14%
Capital spending						
Purchase of property, plant & equipment	48,346	18,332	164%	76,224	39,584	93%
Proceeds from disposals of property, plant & equipment	(3,833)	(15,192)	(75%)	(9,360)	(16,765)	(44%)
Net Capital spending	44,513	3,140	1,318%	66,864	22,819	193%
Debt to EBITDAS[(2)]	1.30:1	0.86:1		1.30:1	0.86:1	
Debt to total capitalization ratio[(1)]	0.30	0.30	0%	0.30	0.30	0%
Dividends declared	$ 8,825	$ 6,839	29%	$ 17,642	$ 13,646	29%
Dividends declared per share	$ 0.08	$ 0.06	33%	$ 0.08	$ 0.06	33%

(1) *Please refer to page 22 of the Management 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 13 of the Management Discussion and Analysis for the definitions of Debt to EBITDAS.*

Overview

Horizon's results for the three and six months ending June 30, 2014 ("Q2 2014 or "first half of 2014") were below the three and six months ending June 30, 2013 ("Q2 2013" or "first half of 2013") primarily due to the timing of large manufacturing sales projects. The first half of 2013 had a significant oil sands project in full production whereas the first half of 2014 manufacturing sales did not have a similar sized project underway.

Revenues and EBITDAS from manufacturing sales were significantly lower in Q2 2014 and the first half of 2014 compared to the same periods of 2013 as described above. Total direct hours for Q2 2014 and the first half of 2014, which include all direct hours in the manufacturing plants and installation hours on project sites, were 276,132 hours, a decrease of 16% and 538,339 hours, a decrease of 12% respectively compared to the same periods of 2013. Total direct hours allocated to third party contracts, as a percentage of total hours, in Q2 2014 and first half of 2014 were 42% and 34% respectively compared to 78% and 74% in the comparative periods of 2013. EBITDAS in Q2 2014 and the first half of 2014 decreased compared to the same periods of 2013 as a result of the lower external sales levels and higher than expected costs in completing a significant oil sands project.

Revenues and EBITDAS from camp rental and catering operations for Q2 2014 and the first half 2014 decreased compared to the same periods of 2013. The decrease was mainly a result of lower activity levels at several of the large camp operations in the Alberta oil sands region and drill camp operations. Combined fleet utilization for Q2 2014 and first half of 2014 was 54% and 59% respectively compared to 60% and 63% for the same periods of 2013. Decreased EBITDAS in 2014 was a result of lower activity levels and a different mix of revenue compared to the first half of 2013. The first half of 2014 had higher service revenue as a result of a large camp mobilization project which first half of 2013 did not have. Service revenue typically has significantly lower margin than camp operations. As a result, EBITDAS as a percentage of revenue for Q2 2014 and the first half of 2014 were 21% and 25% respectively compared to 25% and 28% in the comparative periods of 2013.

Matting revenues increased in Q2 2014 and the first half of 2014 compared to the same periods of 2013 driven primarily by higher mat sales. Mat rental revenues were relatively consistent in the comparative periods. The average number of access mats in the owned fleet for Q2 2014 was relatively similar to Q2 2013 at 17,400 mats, however, for the first half comparison, 2014 averaged 1,300 more mats than the first half of 2013. EBITDAS in Q2 2014 and the first half of 2014 decreased compared to the same periods of 2013 and, as a percentage of revenue, EBITDAS in Q2 2014 and the first half of 2014 was 22% and 20% respectively compared to 28% and 26% in the same periods of 2013. The lower EBITDAS was a result of a more competitive pricing environment, higher lumber pricing affecting mat construction costs and by a shift in revenue mix.

Operating earnings and earnings per share decreased in Q2 2014 and the first half of 2014 as compared to the same periods of 2013 driven primarily by lower EBITDAS.

Outlook

Consolidated revenues and EBITDAS are expected to improve in the latter half of 2014, with EBITDAS for the third and fourth quarters being in the $30-35 million and $35-40 million range respectively.

Manufacturing activities in the second half of 2014 will turn to external projects with 64% of capacity dedicated to external projects as compared to 45% in the first half of the year. Given the increased project demand, total manufacturing hours are expected to be 11% higher in the second half of 2014 as compared to the first half of 2014. Margins are expected to return to more normal levels new external manufacturing projects come on line. Efforts to expand the demand for manufacturing services continue, and discussions with potential customers for the modular construction of permanent facilities are ongoing.

Camp rental and catering operations are expected to improve through the last half of the 2014. Large camp activities for Q3 2014 are expected to be slightly ahead of Q2 2014 results and increase substantially in Q4 2014. A 540 bed camp project that had been delayed due to customer permitting issues began operating in late Q2 2014 although the equipment required for this project was manufactured in the last half of 2013. Utilization at several open camp facilities is expected to improve based on demand from increasing customer activity in those areas while a number of dedicated customer camp assets that experienced lower utilization during transition between contracts are expected to achieve stronger utilization. Drill camp operations have improved considerably in Q3 2014 and are expected to improve through Q4 2014 as we target more competitive pricing and begin deploying equipment in new configurations to satisfy evolving customer requirements.

Matting sales are expected to remain strong due to demand for longer term customer projects. Mat sales margins are under pressure from both increased competition and rising material costs. Matting rentals are expected to stay strong with a focus on increasing the size of the rental fleet and displacing the use of third party matting.

Horizon continues to expand its geographic base with 1,150 beds deployed on natural gas related projects as of June 30, 2014 as compared to 770 beds at this time last year. In addition, Horizon has acquired and is pursuing additional land positions in key development areas near proposed LNG project sites in order to be well positioned for future growth in these areas.

Horizon remains active on the project bidding front, however a number of contract awards are dependent on the outcome of final investment decisions related to proposed LNG projects. Competition for contract awards is increasing, particularly in the up to 500 person camp segment. In addition, competition in certain regions of the Fort McMurray Alberta oil sands region has increased with the opening of additional temporary camps.

Dividend payment

Horizon North Logistics Inc. announced today that its Board of Directors has declared a dividend for the third quarter of 2014 at $0.08 per share. The dividend is payable to shareholders of record at the close of business on September 30, 2014 to be paid on October 13, 2014. The dividends are eligible dividends for Canadian tax purposes.

Second Quarter Financial Results

(000's)	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
	Three months ended June 30, 2014				
Revenue	$ 79,746	$ 16,750	$ -	$ (402)	$ 96,094
Expenses					
Direct costs	62,991	12,833	-	(402)	75,422
Selling & administrative	1,708	183	3,285	-	5,176
EBITDAS	15,047	3,734	(3,285)	-	15,496
EBITDAS as a % of revenue	19%	22%	-	-	16%
Share based compensation	205	39	203	-	447
Depreciation & amortization	11,951	1,625	171	(49)	13,698
(Gain) loss on disposal of property, plant and equipment	(503)	(17)	-	-	(520)
Operating earnings (loss)	$ 3,394	$ 2,087	$ (3,659)	$ 49	$ 1,871
Finance costs					937
Income tax expense					254
Other comprehensive income					78
Total comprehensive income					$ 602
Earnings per share – basic					$ 0.01
– diluted					$ 0.01

(000's)	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
	Three months ended June 30, 2013				
Revenue	$ 134,942	$ 14,956	$ -	$ (1,472)	$ 148,426
Expenses					
Direct costs	101,716	10,668		(1,464)	110,920
Selling & administrative	1,505	140	3,153	-	4,798
EBITDAS	31,721	4,148	(3,153)	(8)	32,708
EBITDAS as a % of revenue	24%	28%	-	-	22%
Share based compensation	178	38	179	-	395
Depreciation & amortization	11,584	2,144	137	(52)	13,813
(Gain) loss on disposal of property, plant and equipment	4,301	(1)	(57)	-	4,243
Operating earnings (loss)	$ 15,658	$ 1,967	$ (3,412)	$ 44	$ 14,257
Finance costs					1,081
Income tax expense					3,053
Other comprehensive income					137
Total comprehensive income					$ 9,986
Earnings per share – basic					$ 0.09
– diluted					$ 0.09

Second Quarter Financial Results (continued)

	Six months ended June 30, 2014				
(000's)	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	$ 186,443	$ 32,730	$ -	$ (868)	$ 218,305
Expenses					
Direct costs	143,646	25,876	-	(868)	168,654
Selling & administrative	3,345	402	6,858	-	10,605
EBITDAS	39,452	6,452	(6,858)	-	39,046
EBITDAS as a % of revenue	21%	20%	-	-	18%
Share based compensation	461	80	415	-	956
Depreciation & amortization	23,564	3,079	358	(97)	26,904
(Gain) loss on disposal of property, plant and equipment	(2,140)	25	-	-	(2,115)
Operating earnings (loss)	$ 17,567	$ 3,268	$ (7,631)	$ 97	$ 13,301
Finance costs					1,937
Income tax expense					2,966
Other comprehensive income					(121)
Total comprehensive income					$ 8,519
Earnings per share – basic					$ 0.08
– diluted					$ 0.08

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

Camps & Catering

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

	Three months ended June 30			Six months ended June 30		
(000's except bed rental days and catering only days)	2014	2013	% change	2014	2013	% change
Camp rental and catering operations revenue	$ 58,843	$ 63,248	(7%)	$ 139,411	$ 144,453	(3%)
Manufacturing sales	17,932	68,736	(74%)	41,735	111,010	(62%)
Relocatable structures	2,971	2,958	0%	5,297	5,396	(2%)
Total revenue	$ 79,746	$ 134,942	(41%)	$ 186,443	$ 260,859	(29%)
EBITDAS	$ 15,047	$ 31,721	(53%)	$ 39,452	$ 67,573	(42%)
EBITDAS as a % of revenue	19%	24%		21%	26%	
Operating earnings	$ 3,394	$ 15,658	(78%)	$ 17,567	$ 40,520	(57%)
Bed rental days(1)	403,657	449,165	(10%)	839,056	934,986	(10%)
Catering only days(2)	22,287	45,100	(51%)	53,854	101,751	(47%)

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

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

Revenues from the Camps & Catering segment for the three and six months ended June 30, 2014 were $79.7 million and $186.4 million respectively, a decrease of $55.2 million or 41% and $74.5 million or 29% compared to the same periods of 2013. EBITDAS for the three and six months ended June 30, 2014 were $15.0 million and $39.5 million respectively, a decrease of $16.7 million or 53% and $28.1 million or 42% compared to the same period of 2013. The decrease in camp and catering operations revenues was primarily a result of softer demand at certain camp facilities in the Alberta oil sands region. Manufacturing sales revenues decreased significantly with the majority of capacity allocated to internal fleet construction and deployment in 2014 compared to being focused on a large external sales project in 2013.

Camp rental and catering operations revenue

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

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

	Three months ended June 30					
(000's for revenue only)	2014			2013		
	Large camp	Drill camp	Total	Large camp	Drill camp	Total
Revenue	$ 46,078	$ 1,457	$ 47,535	$ 52,924	$ 2,656	$ 55,580
Bed rental days(1)	394,262	9,395	403,657	433,151	16,014	449,165
Revenue per bed rental day	$117	$155	$118	$122	$166	$124
Number of rentable beds at period end	7,484	928	8,412	7,152	873	8,025
Average rentable beds available(2)	7,254	925	8,179	7,330	888	8,218
Utilization(3)	60%	11%	54%	66%	20%	61%

	Six months ended June 30					
(000's for revenue only)	2014			2013		
	Large camp	Drill camp	Total	Large camp	Drill camp	Total
Revenue	$ 108,514	$ 7,184	$ 115,698	$ 112,305	$ 12,302	$ 124,607
Bed rental days(1)	798,082	40,974	839,056	864,412	70,574	934,986
Revenue per bed rental day	$136	$175	$138	$130	$174	$133
Number of rentable beds at period end	7,484	928	8,412	7,152	873	8,025
Average rentable beds available(2)	7,165	873	8,038	7,333	879	8,212
Utilization(3)	62%	26%	58%	65%	44%	63%

1) *One bed rental day represents the provision of one bed for one day under a combined rental and catering manday rate, or the provision of one bed for one day under an equipment rental rate for dedicated camp equipment.*
2) *Average rentable beds available is equal to total average beds in the fleet over the period less beds required for staff.*
3) *Utilization equals the total number of bed rental days divided by average rentable beds available in the period.*

Revenues from large camp operations for the three and six months ended June 30, 2014 decreased by $6.8 million or 13% and $3.8 million or 3% respectively compared to the same periods of 2013. The decrease was mainly attributable to lower activity levels at several large camps.

Large camp bed rental days decreased by 38,889 days or 9% and 66,330 days or 8% respectively compared to the same periods of 2013. The decreased rental days were primarily due to lower activity at several large camps in the Alberta oil sands area. In 2013 these camps had strong occupancy by several clients who had active projects in the area. These projects were not active in 2014 resulting in lower utilization of the facilities. The large camp utilization for Q2 2014 and the first half of 2014 was 60% and 62% respectively compared to 66% and 65% in the same periods of 2013.

Large camp revenue per bed rental day decreased by $5 or 4% for the three months ended June 30, 2014 compared to the same period of 2013, however revenue per bed rental day for the first half of 2014 increased by $6 or 5% compared to the first half of 2013. The revenue per bed rental day is a result of the different mix of contracts in place in the comparative periods.

Revenues from drill camp operations for the three and six months ended June 30, 2014 decreased $1.2 million or 45% and $5.1 million or 42% respectively compared to the same periods of 2013. The decrease was a result of lower activity levels in the first half of 2014 compared to the same period of 2013 with an average of 11 camps operating in the first half of 2014 compared to 19 camps operating in the first half of 2013. The decreased activity was mainly attributable to increasingly competitive market conditions with downward pressure on pricing.

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

(000's for revenue only)	Three months ended June 30 2014	Three months ended June 30 2013	Six months ended June 30 2014	Six months ended June 30 2013
Catering only revenue	$ 2,753	$ 4,393	$ 7,050	$ 10,048
Catering only days[(1)]	22,287	45,100	53,854	101,751
Revenue per catering only day	$124	$97	$131	$99

(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 and six months ended June 30, 2014 decreased $1.6 million or 37% and $3.0 million or 30% respectively compared to same periods of 2013 as a result of lower volumes in both the large camp catering and drill camp catering operations. The large camp catering operations had fewer camps operating in the first half of 2014 compared to the same period of 2013 as a result of customers completing specific projects. The decrease in the catering for customer owned drill camps was mainly related a significant customer who temporarily slowed down to relocate several drill camps.

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

(000's)	Three months ended June 30 2014	Three months ended June 30 2013	Six months ended June 30 2014	Six months ended June 30 2013
Camp and catering operations service related revenue	$ 8,555	$ 3,275	$ 16,663	$ 9,798

Service revenues are related to the transportation, set-up and de-mobilization of relatively short term camps for customers. Revenues for the three and six months ended June 30, 2014 increased $5.3 million or 161% and $6.9 million or 70% respectively compared to the same periods in 2013. The increase was mainly due to the timing of specific service projects undertaken in the comparative periods, with a large camp mobilization occurring in the first half of 2014 and no similar sized project in the first half of 2013.

Manufacturing sales

Manufacturing sales revenues include the in-plant construction, transportation and installation of camps sold to third parties. Revenues for the three and six months ended June 30, 2014 were $17.9 million and $41.7 million, a decrease of $50.8 million or 74% and $69.3 million or 62% respectively as compared to the same periods of 2013. The decrease was primarily driven by the volume of external sales projects. In the first half of 2013, manufacturing sales was focused on the production and installation of a large project in the Alberta oil sands while the first half of 2014 was mainly focused on internal production to satisfy fleet requirements for Horizon North Relocatable Structures and for recently announced camp and catering projects.

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

	Three months ended June 30				Six months ended June 30			
	2014		2013		2014		2013	
Direct Hours	Hours	% of total hours	Hours	% of total hours	Hours	% of total hours	Hours	% of total hours
External hours	116,131	42%	254,645	78%	241,957	45%	452,241	74%
Internal hours	160,001	58%	73,015	22%	296,382	55%	162,074	26%
Total direct hours [(1)]	276,132	100%	327,659	100%	538,339	100%	614,314	100%

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

Total direct hours for the three months ended June 30, 2014 decreased 51,527 hours or 16% compared to the same period of 2013. The decrease in hours was accomplished mainly through reduced overtime and attrition to align with project volumes. Of particular note was the allocation of hours between internal and external projects. In the second quarter of 2014, 58% of total hours were focused on internal projects in order to meet the requirements for the camp and catering projects previously announced and to grow the relocatable structures fleet. For the six months ended June 30, 2014 total direct hours decreased by 75,976 hours or 12% compared to the same period of 2013. As mentioned above, the reduction in hours was a planned decrease to align resources with work volumes. The allocation of total direct hours to internal projects for the first half of 2014 was 55% of total direct hours compared to 26% in the same period of 2013. This was a result of focusing total direct hours on internal projects to meet previously announced projects.

Relocatable Structures

Relocatable structures (formerly space rentals) revenues include the rental of relocatable structures and the associated transportation. Relocatable Structures includes; office units, lavatory units, mine dry units, and associated equipment.

Revenues were relatively consistent in the comparative periods. In the first half of 2014 Relocatable structures utilized a significant portion of manufacturing's capacity to increase the fleet, as a result utilization decreased compared to the same period of 2013. Utilization for the three months ended June 30, 2014 was 72% on a fleet size of 1,204 units compared to 91% on a fleet size of 833 units in the same period of 2013. Utilization is expected to increase in the second half of 2014 as the new fleet additions are deployed.

Direct costs

Direct costs for the three and six months ended June 30, 2014 were $63.0 million or 79% of revenue and $143.6 million or 77% of revenue respectively compared to $101.7 million or 75% of revenue and $190.3 million or 73% of revenue for the same period of 2013. Direct costs are closely related to business volumes with the decrease primarily due to lower volumes in the manufacturing sales operations. As a percentage of revenue, direct costs increased primarily as a result of the nature of projects flowing through the manufacturing sales operations. In addition, increased costs to complete several installation projects drove higher direct costs.

Matting

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

	Three months ended June 30			Six months ended June 30		
(000's except mat rental days and numbers of mats)	2014	2013	% change	2014	2013	% change
Access mat rental revenue(1)	$ 4,509	$ 4,248	6%	$ 6,010	$ 5,946	1%
Other mat and rental equipment revenue(2)	$ 395	$ 486	(19%)	$ 1,414	$ 1,630	(13%)
Total mat and rental equipment revenue	$ 4,904	$ 4,734	4%	$ 7,424	$ 7,576	(2%)
Mat sales revenue	5,423	2,124	155%	13,350	7,046	89%
Installation, transportation, service and other revenue	6,423	8,098	(21%)	11,956	16,566	(28%)
Total revenue	$ 16,750	$ 14,956	12%	$ 32,730	$ 31,188	5%
EBITDAS	$ 3,734	$ 4,148	(10%)	$ 6,452	$ 8,134	(21%)
EBITDAS as a % of revenue	22%	28%		20%	26%	
Operating earnings	$ 2,087	$ 1,967	6%	$ 3,268	$ 3,881	(16%)
Access mat rental days – owned mats(3)	1,245,892	1,138,663	9%	1,868,404	1,768,456	6%
Access mat rental days – third party mats(4)	803,442	696,310	15%	839,004	755,258	11%
Total access mat rental days	2,049,334	1,834,973	12%	2,707,408	2,523,714	7%
Average owned access mats in rental fleet(5)	17,393	17,697	(2%)	17,026	15,768	8%
Average sub rental access mats in rental fleet(6)	8,801	7,670	15%	4,592	4,153	11%
Owned access mats in rental fleet at quarter end(7)	18,937	19,678	(4%)	18,220	19,678	(7%)
Mats sold:						
New mats	6,806	2,495	173%	16,671	7,954	110%
Used Mats	2,663	467	470%	4,386	1,844	138%
Total mats sold	9,469	2,962	220%	21,057	9,798	115%

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

Revenues from the Matting segment for the three and six months ended June 30, 2014 were $16.8 million, an increase of 12% and $32.7 million, an increase of 5% compared to the same periods of 2013. EBITDAS for the three and six months ended June 30, 2014 were $3.7 million, a decrease of 10% and $6.5 million, a decrease of 21% compared to the same period of 2013.

The increase in revenues from the comparative periods was primarily result of higher mat sales tempered by moderated customer demand for trucking and installation services. The decrease in EBTIDAS in the three and six months ended June 30, 2014 compared to the same periods of 2013 was related to competitive market conditions and the sales mix.

Mat and rental equipment revenue

Access mat rental revenues for the three months ended June 30, 2014 increased by $0.3 million or 6% compared to the same period of 2013 with revenues in the first half of 2014 essentially flat compared to the first half of 2013. Mat rental activity increased in the second quarter and first half of 2014 with mat rental days up 12% and 7% respectively compared to the same periods of 2013. The higher activity was mainly weather related with first half of 2013 being wetter than the first half of 2014. The increased activity was partially offset by lower revenue per mat rental day in the three and six months ended June 30, 2014. Revenue per mat rental day for second quarter of 2014 was $2.20, a decrease of $0.12 or 5% compared to the same period of 2013. For the first half of 2014 the revenue per mat rental day was $2.22, a decrease of $0.14 or 6% compared to the first half of 2013. The declines in revenue per mat rental day were primarily due to a more competitive pricing environment.

Mat sales revenue

Revenues from mat sales for the three and six months ended June 30, 2014 increased significantly as compared to the same period of 2013, up $3.3 million or 155% and $6.3 million or 89% respectively. The volume of mats sold increased substantially, as the economics on longer term customer projects favor owning mats as opposed to renting. Higher sales volumes in the three and six months ended June 30, 2014 were partially offset by lower revenues per mat compared to the same periods of 2013. Revenues per mat were $572, a decrease of $144 or 20% for Q2 2014 and $634, a decrease of $85 or 12% for the first half of 2014 compared to the same periods of 2013. The decrease in price is reflective of a more competitive pricing environment as well as the mix between new and used mats sold in the comparative periods, used mats are typically priced lower than new mats.

Installation, transportation, service, and other revenue

Installation, transportation, service, and other revenues are driven primarily from the level of activity in the mat rental and mat sale businesses and are charged for separately from rentals and sales. Revenues for the three and six months ended June 30, 2014 were $6.4 million, a decrease of $1.7 million or 21% and $12.0 million, a decrease of $4.6 million or 28% respectively compared to the same periods in 2013. The decrease in revenue is a primarily a result of softer demand for these services.

Direct costs

Direct costs for the three and six months ended June 30, 2014 were $12.8 million or 77% of revenue and $25.9 million or 79% of revenue compared to $10.7 million or 71% of revenue and $22.7 million or 73% of revenue for the same periods of 2013. Direct costs are driven by both the level and mix of business activity. The increase in overall direct costs was driven primarily by higher mat sales which reflect the associated direct costs of mat manufacturing. As a percentage of revenue, direct costs increased in the three and six months ended June 30, 2014 as a result of the mix of business activities and as a result of upward cost pressure mainly driven by oak lumber costs.

Corporate

Corporate costs are the costs of the head office which include the President and Chief Executive Officer, Chief Financial Officer, Senior Vice President of Corporate Development and Planning, Vice President of Health, Safety, and Environment, Vice President of Aboriginal Relations, Corporate Secretary, corporate accounting staff, information technology, and associated costs of supporting a public company. Corporate costs for the three and six months ended June 30, 2014 were $3.3 million, an increase of $0.1 million or 3% and $6.9 million, an increase of $0.5 million or 8% respectively compared to the same periods in 2013. Corporate costs, as a percentage of total revenue were 3.4% and 3.1% respectively compared to 2.1% and 2.2% in the same periods of 2013, primarily a result of the decrease in revenues as costs remain similar.

Other Items

Selling and administrative

Selling and administrative expenses for the three and six months ended June 30, 2014 were $5.2 million, an increase of $0.4 million or 8% and $10.6 million, an increase of $1.0 million or 10% compared to the same periods in 2013. As a percentage of revenue, selling and administrative expenses were 5.4% and 4.9% compared to 3.2% and 3.3% in the same periods of 2013, primarily a result of the decrease in revenues as costs remain similar.

Depreciation and amortization

	Three months ended June 30			Six months ended June 30		
(000's)	2014	2013	% change	2014	2013	% change
Depreciation of property, plant and equipment	$ 12,878	$ 11,762	9%	$ 25,265	$ 22,606	12%
Amortization of intangibles	820	2,051	(60%)	1,639	4,102	(60%)
Total depreciation and amortization	$ 13,698	$ 13,813	(1%)	$ 26,904	$ 26,708	1%

Depreciation of property, plant and equipment increased $1.1 million in the three months ended June 30, 2014 as compared to the same period of 2013. The increase was mainly a result of camp assets added between June 30, 2013 and June 30, 2014. For the Six months ended June 30, 2014 depreciation increased $2.7 million compared to the same period of 2013. The increase was primarily related to the growth of the camp fleet in the comparative periods.

Amortization costs related to customer relationships decreased $1.2 million or 60% and $2.5 million or 60% as compared to the same periods of 2013. A portion of these assets have now been fully amortized with the remainder to be fully amortized by December 2014.

Financing costs

Financing costs include interest on loans and borrowings and accretion of notes payable. For the three and six months ended June 30, 2014 financing costs were $0.9 million, a decrease of $0.1 million or 13% and $1.9 million, a decrease of $0.3 million or 13% respectively compared to 2014. The decrease in financing costs was mainly a result of slightly lower average debt levels in the second quarter and first half of 2014 compared to the same periods of 2013. The effective interest rate on loans and borrowings for the three and six months ended June 30, 2014 was 3.6%, consistent with the comparative period.

Income taxes

For the three and six months ended June 30, 2014 income tax expense was $0.3 million, an effective tax rate of 27% and $3.0 million, an effective tax rate of 26% compared to $3.1 million, an effective tax rate of 23% and $8.6 million, an effective tax rate of 25% in the same periods of 2013.

Gain/Loss on disposal

For the three and six months ended June 30, 2014 Horizon recognized gains on disposal of $0.5 million and $2.1 million respectively compared to losses of $4.2 million and $4.1 million in the comparative periods of 2013. The gain on disposal of assets in the three and six months ended June 30, 2014 came mainly from the disposal of camp assets and property related to the northern assets. The loss in the second quarter of 2013 was associated to the disposal of undepreciated setup costs related to a large camp dismantled in that quarter and subsequently sold in the third quarter of 2013.

Liquidity and Capital Resources

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

(000's)		June 30, 2014		December 31, 2013
Current assets	$	111,927	$	113,608
Current liabilities excluding loans and borrowings[(1)]		60,001		60,408
Current portion of loans and borrowings		1,554		1,496
Current liabilities		61,555		61,904
Working capital[(2)]	$	50,372	$	51,704
Bank borrowing:				
Available credit facility	$	150,000	$	150,000
Drawings on credit facility		119,125		70,756
Borrowing capacity[(3)]	$	30,875	$	79,244

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

Working capital at June 30, 2014 was $50.4 million compared to $51.7 million at December 31, 2014, a decrease of $1.3 million. The decrease in working capital was primarily due to lower activity levels in the first half of 2014 compared to 2013.

On November 6, 2014, the Corporation's committed credit facility of $150,000,000 was renewed for a term of 3 years. The credit facility is extendable annually at the Corporation's request subject to lender approval. The committed credit facility is secured by a $300,000,000 first fixed and floating charge debenture over all assets of the Corporation and its wholly owned subsidiaries. Interest is payable at the bank prime rate plus 0.625%. Amounts borrowed under the facility become due on October 26, 2016, the maturity date of the facility.

At June 30, 2014 the Corporation was in compliance with its debt covenants as shown below:

Debt Covenants	June 30, 2014
Debt [(1)] to EBITDAS [(2)(3)] – must be less than 2.0:1	1.30:1
Interest coverage[(4)] – must be greater than 3.0:1	30.5:1

(1) Debt is calculated as the sum of current and long-term portions of loans and borrowings less vehicle and equipment financing.
(2) *Please refer to page 20 of the Management Discussion and Analysis for the definitions of Non-GAAP and additional GAAP measures* and reconciliation of *Net Earnings to EBITDAS*
(3) Debt to EBITDAS is calculated as the ratio of Debt to trailing 12 months EBITDAS.
(4) Interest coverage is calculated as the ratio of trailing 12 months EBITDAS to 12 months trailing interest expense on loans and borrowings.

Capital Spending

During the three and six months ended June 30, 2014, the Corporation spent $48.3 million and $76.2 million respectively on capital asset additions compared to $18.3 million and $39.6 million in the same periods of 2013. Capital spending was concentrated on rental fleet expansion and replacement to meet demand in the Camps & Catering segment, additional fleet for the Relocatable Structures business and moderate maintenance capital. Management evaluates and manages its capital spending plans taking into account proceeds from the sale of property, plant and equipment resulting in net capital spending for the three and six months ended June 30, 2014 of $44.5 million and $66.9 million respectively.

Quarterly Summary of Results

	Three months ended		Year to date
(000's except per share amounts)	March 2014	June 2014	March 2014
Revenue	$ 122,211	$ 96,094	$ 218,305
EBITDAS	23,550	15,496	39,046
Operating earnings	11,430	1,871	13,301
Total profit	7,718	680	8,398
Total comprehensive income	7,917	602	8,519
Earnings per share – basic	$ 0.07	$ 0.01	$ 0.08
Earnings per share – diluted	$ 0.07	$ 0.01	$ 0.08

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

	Three months ended				Year ended
(000's except per share amounts)	March 2012	June 2012	September 2012	December 2012	December 2012
Revenue	$ 128,597	$ 139,551	$ 119,910	$ 138,558	$ 526,616
EBITDAS	34,445	40,463	34,080	36,039	145,027
Operating earnings	26,080	30,056	23,232	23,390	102,758
Total profit	18,861	21,769	16,262	15,991	72,883
Total comprehensive income	18,792	21,854	16,328	15,959	72,933
Earnings per share – basic	$ 0.18	$ 0.20	$ 0.15	$ 0.15	$ 0.67
Earnings per share – diluted	$ 0.17	$ 0.20	$ 0.15	$ 0.15	$ 0.66

Horizon is a service provider to the resource sector and it's performance typically follows the fluctuations in commodity pricing and activity levels in the sector. As well, Horizon's decisions on allocation of manufacturing resources and decisions on the relocation of 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 the first half of 2014 with a significant portion of manufacturing resources allocated to internal 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 is typically several months of down time to complete the relocations. In addition, there has been downward pressure on pricing as a result of an increasingly competitive environment. Throughout the last eight quarters Horizon has continued 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's Camps & Catering and Matting segments depend upon the level of industry activity for oil, natural gas and mineral exploration and development in the western Canadian provinces and northern territories. Industry conditions are influenced by numerous factors over which Horizon has no control, including: the level of oil and natural gas and mineral prices; expectations about future oil and natural gas and mineral prices; the cost of exploring for, producing and delivering oil and natural gas and minerals; the expected rates of declining current production; the discovery rates of new oil and natural gas and mineral reserves; available pipeline and other oil and natural gas transportation capacity; demand for oil, natural gas and minerals; worldwide weather conditions; global political, military, regulatory and economic conditions; and the ability of oil and natural gas and mining companies to raise equity capital or debt financing for exploration and development work.

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

Competition

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

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

Credit Risk

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

Additional Funding Requirements

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

Labour Relations

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

Agreements and Contracts

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

Significant Customers

The Corporation had two major customers in the first half of 2014 that generated 23% of total revenues. This compares to one major customer in 2013 who generated 25% of total revenue. There can be no assurance that Horizon's relationship with its customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, could have a material adverse effect on Horizon's business, financial condition and results of operations.

Reliance on Key Personnel

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

Camp Permits

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

Government Regulation

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

Environmental Regulation

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

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

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

Aboriginal Relationships

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

Seasonal Operations

Each of Horizon's businesses has slightly different seasonal aspects. Certain segments of the Camps & Catering division are exposed to the seasonality of the western Canadian oil and natural gas drilling industry where the busiest months are January through March and the slowest months are April through September. However, seasonality has been significantly reduced due to increased exposure in the oil sands and mining sectors, which operate year round. The Matting segment is typically busiest in the spring and summer months of April through September when soft ground conditions hinder the movement of heavy equipment.

Other Risks

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

Changes in Accounting Policies

The accounting policies and determination of fair values were set out in Note 3 of the Corporation's condensed interim consolidated financial statements for the three and six months ended June 30, 2014 and have been applied consistently to all periods presented in these condensed consolidated interim financial statements, except the changes disclosed in the December 31, 2013 annual consolidated financial statements. As at January 1, 2014, the Company adopted the amendment to IAS 32 – Financial Instruments: Presentation, as well as the interpretation of IFRIC 21 – Levies. The adoption of these standards did not have a material impact on the amounts recorded in the financial statements as at June 30, 2014.

As a result, these financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2013.

Critical Accounting Estimates

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

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

Revenue recognition

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

Asset Retirement Obligations

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

Financial Instruments and Risk Management

(a) Overview

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

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

(b) Credit risk

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

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

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

(000's)	June 30, 2014	December 31, 2013
Neither impaired nor past due	$ 33,713	$ 29,370
Impaired	64	65
Outstanding 31-60 days	12,983	15,286
Outstanding 61-90 days	8,043	4,001
Outstanding more than 90 days	2,098	2,073
Total	56,901	51,335
Allowance for doubtful accounts	(64)	(65)
Accrued revenue	33,957	38,659
Other receivables	1,900	927
Total trade and other receivables	$ 92,694	$ 90,856

In the three months ended June 30, 2014, the Corporation provided an allowance for $64,000 of receivables aged greater than 90 days. As at July 29, 2014, the Corporation has collected $277,000 on amounts outstanding more than 90 days.

(c) Liquidity risk

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

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

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

	June 30, 2014		December 31, 2013	
	Trade and other payables(1)	Loans and borrowings(2)	Trade and other payables(1)	Loans and borrowings(2)
Year 1	$ 57,100	$ 1,554	$ 56,961	$ 1,496
Year 2	-	1,052	-	7,500
Year 3	-	125,365	-	70,756
Year 4	-	-	-	-
Year 5 and beyond	5,770	-	5,656	-
	$ 62,870	$ 127,971	$ 62,617	$ 79,752

(1) Trade and other payables include trade and other payables, income taxes payable, and provisions.
(2) Loans and borrowings include non-interest bearing notes payable and Horizon's senior secured revolving term facility. Cash flows of Horizon's note payable have been recorded according to estimated utilization of specific equipment.

(d) Market risk

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

(i) Foreign currency exchange risk

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

As the foreign currency exchange risks are primarily based on realized foreign exchange differences, the following sensitivity analysis is to determine the impact on cash generated in operating activities. The effect of a $0.01 increase in the USD/CAD exchange rate would decrease cash generated in operating activities for the six months ended June 30, 2014 by approximately $554,000 (June 30, 2013 - $113,000). This assumes that the quantity of USD purchases and the foreign operations in the year remain unchanged and that the change in the USD/CAD exchange rate is effective from the beginning of the year.

(ii) Interest rate risk

The Corporation is exposed to interest rate risk as changes in interest rates may affect interest expense and future cash flows. The primary exposure is related to the Corporation's revolving credit facility which bears interest at a rate of prime plus 1.00%. If prime were to have increased by 1.00%, it is estimated that the Corporation's net earnings would have decreased by approximately $528,000 for the six months ended June 30, 2014 (June 30, 2013 – $593,000). This assumes that the amount and mix of fixed and floating rate debt in the three and six months ended June 30, 2014 remains unchanged and that the change in interest rates is effective from the beginning of the year.

Outstanding Shares

Horizon had 110,308,317 voting common shares issued and outstanding with a book value of $185,188,000 or $1.68 per share as at June 30, 2014.

Off Balance Sheet Financing

Horizon has no off balance sheet financing.

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

Disclosure Controls & Procedures

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

As at December 31, 2013, an evaluation was carried out, under the supervision of the CEO and the CFO, of the effectiveness of the design and operation of Horizon's DC&P as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings. Based on this evaluation, the CEO and CFO have concluded that, as at December 31, 2013 Horizon's DC&P, as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, were effective.

Throughout 2014, Horizon will continue to evaluate its DC&P making modifications from time-to-time as deemed necessary. There were no changes in Horizon's DC&P that occurred during the period ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, Horizon's DC&P.

Internal Controls over Financial Reporting

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

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

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

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

As at December 31, 2013, an evaluation was carried out, under the supervision of the CEO and the CFO, of the effectiveness of Horizon's ICFR based on the framework and criteria established in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on this evaluation, management concluded that the design and operating effectiveness of Horizon's ICFR was effective as of December 31, 2013.

Throughout 2014 Horizon will continue to evaluate its ICFR making modifications from time-to-time as deemed necessary. There were no changes in Horizon's ICFR that occurred during the period ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, Horizon's ICFR.

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

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

Advisories

This Management's Discussion and Analysis, prepared as at July 29, 2014 focuses on key statistics from the Condensed Consolidated Interim Financial Statements and pertains to known risks and uncertainties relating to the business carried on by Horizon North Logistics Inc. (the "Corporation" or "Horizon"). This discussion should not be considered all-inclusive, as it does not attempt to include changes that may occur in general economic, political and environmental conditions. Additional information related to the Corporation, including the Corporation's annual information form, is available on SEDAR at www.sedar.com. Unless otherwise indicated, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and the reporting currency is in Canadian dollars.

Non-GAAP and additional 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 and additional 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 and additional GAAP measures

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

a) EBITDAS

	Three months ended June 30		Six months ended June 30	
(000's)	2014	2013	2014	2013
Total profit	$ 680	$ 10,123	$ 8,398	$ 26,632
Add:				
Finance costs	937	1,081	1,937	2,196
Income tax expense	254	3,053	2,966	8,638
Depreciation	12,878	11,762	25,265	22,606
Amortization of intangible assets	820	2,051	1,639	4,102
(Gain) loss on disposal of property, plant and equipment	(520)	4,243	(2,115)	4,086
Share based compensation	447	395	956	1,081
EBITDAS	$ 15,496	$ 32,708	$ 39,046	$ 69,341

Caution Regarding Forward-Looking Information and Statements

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

In particular, such forward looking statements include: under the heading "Outlook" the statements that "Consolidated revenues and EBITDAS are expected to improve in the latter half of 2014, with EBITDAS for the third and fourth quarters being in the $30-35 million and $35-40 million range respectively " and "Manufacturing activities in the second half of 2014 will turn to external projects with 64% of capacity dedicated to external projects as compared to 45% in the first half of the year. Given the increased project demand, total manufacturing hours are expected to be 11% higher in the second half of 2014 as compared to the first half of 2014. Margins are expected to return to more normal levels new external manufacturing projects come on line. Efforts to expand the demand for manufacturing services continue, and discussions with potential customers for the modular construction of permanent facilities are ongoing."

"Camp rental and catering operations are expected to improve through the last half of 2014. Large camp activities for Q3 2014 are expected to be slightly ahead of Q2 2014 results and increase substantially in Q4 2014" and "Utilization at several open camp facilities is expected to improve based on demand from increasing customer activity in those areas while a number of dedicated customer camp assets that experienced lower utilization during transition between contracts are expected to achieve stronger utilization. Drill camp operations have improved considerably in Q3 2014 and are expected to improve through Q4 2014 as we target more competitive pricing and begin deploying equipment in new configurations to satisfy evolving customer requirements."

"Matting sales are expected to remain strong due to demand for longer term customer projects. Mat sales margins are under pressure from both increased competition and rising material costs. Matting rentals are expected to stay strong with a focus on increasing the size of the rental fleet and displacing the use of third party matting." and "The Corporation remains active on the project bidding front, however a number of contract awards are dependent on the outcome of final investment decisions related to proposed LNG projects. Competition for contract awards is increasing, particularly in the up to 500 person camp segment. In addition, competition in certain regions of the Fort McMurray Oil Sands region has increased with the opening of additional temporary camps."

The foregoing statements are based on the assumption that the contracts entered into at this time with respect to such activity will not be amended or terminated and that oil sands development in Alberta and other resource development in western Canada will strengthen. Many factors could cause the performance or achievements of Horizon to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

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