This Management's Discussion and Analysis ("MD&A"), prepared as at May 4, 2016 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 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.

First Quarter Key Points

- Revenues and EBITDAS for the first quarter of 2016 improved compared to the fourth quarter of 2015 but were significantly lower than Q1 2015 as a result of the decline in economic conditions since Q1 2015;
- EBITDAS as a percentage of revenue declined compared to Q1 2015 with cost reduction and operational efficiency initiatives partially offsetting the decrease in pricing experienced since Q2 2015;
- Funds from operations continues to be strong and support the capital program and quarterly dividend; and
- The balance sheet remains strong with debt and covenants well within required levels allowing flexibility to take advantage of opportunities as they present themselves.

First Quarter Financial Summary

	Three months ended March 31		
(000's except per share amounts)	2016	2015	% change
Revenue	$ 77,909	$ 133,968	(42%)
EBITDAS[(1)]	13,236	29,414	(55%)
EBITDAS as a % of revenue	17%	22%	
Operating earnings	179	15,439	(99%)
Operating earnings as a % of revenue	-	12%	
Total (loss) profit	(256)	10,282	(102%)
Total comprehensive (loss) income	(325)	10,700	(103%)
Earnings per share – basic	$ -	$ 0.09	(100%)
– diluted	$ -	$ 0.09	(100%)
Total assets	$ 476,341	$ 527,926	(10%)
Long-term loans and borrowings	70,088	135,196	(48%)
Funds from operations	13,235	28,635	(54%)
Capital spending			
Purchase of property, plant & equipment	7,455	15,188	(51%)
Proceeds from disposals of property, plant & equipment	(3,649)	(2,958)	23%
Net Capital spending	3,806	12,230	(69%)
Senior debt to EBITDAS[(2)]	1.51:1.00	1.42:1.00	
Total debt to EBITDAS[(2)]	1.51:1.00	1.45:1.00	
Debt to total capitalization ratio	0.17:1.00	0.33:1.00	
Dividends declared	$ 2,651	$ 8,840	(70%)
Dividends declared per share	$ 0.02	$ 0.08	(75%)

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

Business and Industry Environment

Readers are cautioned that the content in this section is for general information purposes only and is not intended to be used as guidance.

Horizon North's primary business is the supply of turnkey remote housing and access solutions for the natural resource sector to support their remote development and operational requirements. Currently, Horizon North is significantly levered to resource customers with the majority of its revenues generated from the oil and gas sector.

The dramatic decrease in oil and gas prices throughout 2015 significantly impacted Horizon North's customers who responded by reducing capital programs and activity levels as well as focusing on cost reduction. Customer's reaction to the low oil and gas prices translated directly to significantly reduced demand for Horizon North's products and services as well as downward pressure on pricing. The tables below are some of the measures which impact the demand for Horizon North's products and services.

	Three months ended March 31				
Average oil and natural gas prices	2016	% change	2015	% change	2014
West Texas Intermediate (US$/bbl)[(1)]	$ 34.79	(31%)	$ 50.20	(48%)	$ 96.75
Natural Gas – Henry Hub (US$/MMBtu)[(1)]	$ 2.03	(28%)	$ 2.82	(34%)	$ 4.28
Western Canadian Select – WCS (CDN$/bbl)[(2)]	$ 26.68	(37%)	$ 42.04	(50%)	$ 83.39
Natural Gas – AECO (CDN$/GJ)[(3)]	$ 2.00	(23%)	$ 2.60	(51%)	$ 5.36

(1) Average of NYMEX daily closing prices.
(2) Average of WCS daily closing prices.
(3) Average of AECO daily closing prices.

	Twelve months ended December 31				
	2016		2015		2014
Capital Investments (billions)	Forecast	% change	Estimated	% change	Estimated
Canadian oil and gas industry[(1)]	$ 31	(31%)	$ 45	(44%)	$ 81
Oil sands[(1)]	$ 12[(2)]	(48%)	$ 23	(30%)	$ 33

(1) Canadian Association of Petroleum Producers.
(2) Analysts' consensus estimate.

	Twelve months ended December 31				
	2016		2015		2014
Drilling Activity (Western Canada)	Forecast	% change	Actual	% change	Actual
Active rigs[(1)]	151	(18%)	184	(50%)	370
Operating days[(1)]	53,461	(18%)	64,851	(51%)	131,021

(1) Canadian Association of Oilwell Drilling Contractors.

First Quarter Overview

Horizon North's performance for the three months ended March 31, 2016 ("Q1 2016" or "the first quarter of 2016") improved compared to the three months ended December 31, 2015 ("Q4 2015" or "the fourth quarter of 2015") which had a comparable economic environment. Moderately higher seasonal pipeline activity in the Fort McMurray area drove stronger financial and operational measures compared to Q4 2015. However, in comparison to the three months ended March 31, 2015 ("Q1 2015" or "the first quarter of 2015"), the Q1 2016 results were significantly lower across all measures as a result of decreased demand for Horizon North's products and services. The significant decline in economic conditions between the comparative quarters was mainly due to low oil and gas prices which drove Horizon North's customers to dramatically reduce capital projects and cut operating costs. In particular, Horizon North experienced much lower demand for new manufactured products and saw significantly fewer seasonal exploration and pipeline construction projects compared to Q1 2015. Consolidated revenues for Q1 2016 decreased $56.1 million or 42% compared to Q1 2015 as a result of lower activity levels and reduced pricing across all operations. Manufacturing contributed the majority of the revenue decrease ($24.8 million) where demand for new manufactured product has all but disappeared. The Camps & Catering operations experienced lower activity levels and softer pricing in the first quarter of 2016 as customers were slow to ramp-up operations after the winter break and there was a marked reduction in the seasonal exploration and pipeline construction projects compared to Q1 2015.

Lack of demand for new manufactured product in Q1 2016 led to further headcount and cost reductions to align manufacturing capacity with demand. The decrease in revenue, compared to Q1 2015, was due to the difference in volume and scope of projects in the comparative quarters with Q1 2015 activity focused on executing a large camp project in the Alberta oil sands for a third party customer compared to several small projects in Q1 2016. Total direct hours in Q1 2016 decreased by 79% compared to Q1 2015 with 32% of total direct hours in Q1 2016 allocated to external sales compared to 75% in the same period of 2015.

The Camp and Catering operations also experienced decreased demand and reduced pricing compared to Q1 2015. Large camps saw lower utilization and reduced pricing across most camps as customers were slow to re-start operations after the winter break and reduced usage to trim costs compared to Q1 2015. The timing of pricing reductions negotiated in 2015 meant Q1 2015 revenues did not reflect any pricing decreases while Q1 2016 revenues reflected the lower pricing. Additionally, the significant seasonal lift experienced in Q1 2015 was far more muted in 2016 as a result of reduced capital spending on exploration and pipeline construction projects. The lower activity levels led to a decrease in most large camp measures compared to Q1 2015. Bed rental days, revenue per average available bed (RevPAAB) and utilization all decreased by 10%, 32% and 19% respectively compared to Q1 2015.

Revenues from the Matting operations decreased 51%, driven by low levels of customer activity and reduced pricing compared to Q1 2015. Mat rentals, mat sales and service all declined as customers postponed projects and tightly managed operating costs. Rental mat utilization decreased 44% with revenue per mat rental day lower by 7% and mat sales down 79% compared to Q1 2015.

Consolidated EBITDAS for Q1 2016 decreased $16.2 million or 55% compared to Q1 2015 and as a percentage of revenue EBITDAS was 17%, down from 22% in Q1 2015. The decline in EBITDAS for the comparative quarters was a direct result of the lower activity levels across all of the operations as discussed above. The downward pricing pressure experienced across all product and service lines drove the reduction in EBITDAS as a percentage of revenue. It is important to note that although pricing declined between the comparative quarters, the Corporation's focus on cost reduction and efficiency initiatives was significant in partially offsetting the impact of lower pricing.

Total profit and earnings per share decreased by 102% and 100% respectively compared to Q1 2015 as a result of the lower EBITDAS discussed above and relatively consistent depreciation and amortization expense quarter over quarter.

Horizon North's balance sheet remains strong with debt covenants and loans and borrowings well within required levels. The strong balance sheet leaves Horizon North with the flexibility to take advantage of opportunities as they arise. The focus continues to be on decreasing working capital and disciplined capital spending.

Outlook

Low and volatile oil and gas prices have persisted into 2016 with little indication of recovering in the near term. Without a clear indication of improving commodity prices, Horizon North anticipates its pricing and activity levels will continue to moderate throughout the year as the continued economic uncertainty drives customers to reduce capital budgets and delay purchasing decisions.

Given the current environment Horizon North's focus for 2016 will be living within its means, matching expenditures to cash from operations. To achieve this Horizon North will be focused aligning manufacturing headcount to the current order book, managing the capital program to only essential maintenance and targeted expansion capital and reducing costs and improving efficiencies throughout the organization.

Horizon North's strategic initiative of business transformation will remain a high priority in 2016, continuing and building on the efforts started in 2015. The business transformation realigns and restructures the Corporation to focus on a fully integrated product and service offering, diversifying the business base and driving cost and efficiency initiatives. Diversifying the business base will be achieved through expanding into the permanent modular and facilities management markets.

Dividend payment

Horizon North announced today that its Board of Directors has declared a dividend for the second quarter of 2016 at $0.02 per share. The dividend is payable to shareholders of record at the close of business on June 30, 2016 to be paid on July 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.

First Quarter Financial Results

	Three months ended March 31, 2016				
(000's)	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	$ 72,205	$ 5,704	$ -	$ -	$ 77,909
Expenses					
Direct costs	56,320	4,388	(253)	-	60,455
Selling & administrative	1,262	246	2,710	-	4,218
EBITDAS	$ 14,623	$ 1,070	$ (2,457)	$ -	$ 13,236
EBITDAS as a % of revenue	20%	19%	-	-	17%
Share based compensation	144	40	171	-	355
Depreciation & amortization	10,539	1,891	234	(48)	12,616
Loss on disposal of property, plant and equipment	86	-	-	-	86
Operating earnings (loss)	$ 3,854	$ (861)	$ (2,862)	$ 48	$ 179
Finance costs					569
Earnings on equity investments					(373)
Income tax expense					239
Total loss					$ (256)
Other comprehensive loss					69
Total comprehensive loss					$ (325)
Earnings per share – basic					$ -
– diluted					$ -

	Three months ended March 31, 2015				
(000's)	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	$ 122,824	$ 11,569	$ -	$ (425)	$ 133,968
Expenses					
Direct costs	90,364	8,925	(17)	(425)	98,847
Selling & administrative	2,145	566	2,996	-	5,707
EBITDAS	$ 30,315	$ 2,078	$ (2,979)	$ -	$ 29,414
EBITDAS as a % of revenue	25%	18%	-	-	22%
Share based compensation	303	75	298	-	676
Depreciation & amortization	11,074	2,092	221	(47)	13,340
(Gain) on disposal of property, plant and equipment	(41)	-	-	-	(41)
Operating earnings (loss)	$ 18,979	$ (89)	$ (3,498)	$ 47	$ 15,439
Finance costs					1,322
Income tax expense					3,835
Total profit					$ 10,282
Other comprehensive income					(418)
Total comprehensive income					$ 10,700
Earnings per share – basic					$ 0.09
– diluted					$ 0.09

Camps & Catering

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

	Three months ended March 31		
Revenues *(000's)*	2016	2015	% change
Large Camp revenue	$ 55,949	$ 75,294	(26%)
Drill Camp revenue	2,111	5,782	(63%)
Catering only revenue	4,854	4,546	7%
Camp and catering service revenue	1,837	3,636	(49%)
Total camp rental and catering revenues	$ 64,751	$ 89,258	(27%)
Manufacturing sales revenue	4,667	29,432	(84%)
Relocatable structures revenue	2,787	4,134	(33%)
Total revenue	$ 72,205	$ 122,824	(41%)
EBITDAS	$ 14,623	$ 30,315	(52%)
EBITDAS as a % of revenue	20%	25%	
Operating earnings	$ 3,854	$ 18,979	(80%)

Revenues and EBITDAS for the Camps & Catering segment decreased compared to the same period in 2015 due to significantly lower demand for Horizon North's products and services. The lower demand was mainly driven by the economic downturn which worsened substantially between the comparative quarters. The economic situation, in large part due to the decline in the price of oil, caused customers to significantly reduce their capital programs, delay investment decisions and look for cost savings through reduced usage and pricing concessions. Revenues and EBITDAS across all operations in the segment were adversely affected with manufacturing being the most heavily impacted.

Revenues from the Camps & Catering segment for the three months ended March 31, 2016 were $72.2 million, a decrease of $50.6 million or 41% compared to the three months ended March 31, 2015. EBITDAS for the three months ended March 31, 2016 were $14.6 million, a decrease of $15.7 million or 52% compared to the same period of 2015. The manufacturing operations have been most heavily impacted with half of the revenue decrease related to the lack of demand for new manufactured products. Compared to Q1 2015, which had a large oil sands camp installation project, Q1 2016 had far fewer projects and all with significantly smaller scope. In Q1 2016, the camp and catering operations saw reduced occupancy across most large camps compared to Q1 2015, as most customers were notably slower to return after the winter break. In addition, there were fewer seasonal exploration and pipeline construction projects in Q1 2016 which muted the typical seasonal lift experienced in Q1 2015. The lower EBITDAS, compared to Q1 2015, was a result of the decreased activity levels in all the operations and as a percentage of revenue EBITDAS decreased primarily due to the pricing reductions which were negotiated and took effect after Q1 2015.

Horizon North's revenues in the Camps & Catering segment continue to be driven by conventional oil and gas and oil sands activity with 81% of revenues for Q1 2016 generated from these sectors compared to 86% in the same period of 2015. The change was driven primarily by the timing of manufacturing sales projects and the opportunities undertaken in the comparative periods.

Large Camps

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

	Three months ended March 31		
Revenues *(000's)*	2016	2015	% change
Large Camp revenue	$ 55,949	$ 75,294	(26%)
Bed rental days [(1)]	549,043	611,107	(10%)
Revenue per bed rental day	$ 102	$ 123	(17%)
RevPAAB [(2)]	$ 66	$ 97	(32%)
Rentable beds at period end	9,111	8,668	5%
Average rentable beds [(3)]	9,385	8,665	8%
Utilization [(4)]	64%	79%	(19%)

(1) One bed rental day represents the provision of one bed for one day under a combined rental and catering manday rate, or the provision of one bed for one day under an equipment rental rate for dedicated camp equipment.
(2) 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 March 31, 2016 decreased by $19.3 million, or 26% compared to the same period of 2015. The decrease was a result of both reduced pricing and lower occupancy as customers were slow to return to operations after winter break and there was a marked decrease in seasonal exploration and pipeline construction projects compared to Q1 2015.

As a result of the reduced pricing and lower activity in Q1 2016, most Large Camp metrics decreased compared to Q1 2015. The key metrics, RevPAAB and utilization, declined by 32% and 19%, respectively. The fleet size at the end of the period increased by 443 beds or 5% compared to Q1 2015, the increase was mainly to meet contract commitments entered into late Q4 2014 and early 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 March 31		
Revenues *(000's)*	2016	2015	% change
Drill Camp revenue	$ 2,111	$ 5,782	(63%)
Bed rental days [(1)]	15,118	33,258	(55%)
Revenue per bed rental day	$ 140	$ 174	(20%)
RevPAAB [(2)]	$ 25	$ 75	(67%)
Number of rentable beds at period end	897	855	5%
Average rentable beds [(3)]	938	855	10%
Utilization [(4)]	18%	43%	(58%)

(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 March 31, 2016 decreased by $3.7 million or 63% compared to the same period of 2015, reflective of decreased pricing and lower activity levels. The Canadian Association of Oil Drilling Contractors (CAODC) reported a 41% decrease in rig utilization from 37% in Q1 2015 down to 22% in Q1 2016. As a result of the lower demand environment RevPAAB declined by 67% and drill camp utilization declined by 58% and in the comparative quarters.

Catering Only

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

	Three months ended March 31		
(000's for revenue only)	2016	2015	% change
Catering only revenue	$ 4,854	$ 4,546	7%
Catering only days[(1)]	38,597	35,396	9%
Revenue per catering only day	$ 126	$ 128	(2%)

(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 March 31, 2016 increased by $0.3 million or 7% compared to same period of 2015. The increase was mainly the addition of a project in Saskatchewan early in Q1 2016. The revenue per catering only day decreased by 2% primarily due to the different contract mix between the comparative quarters.

Service

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

	Three months ended March 31		
(000's)	2016	2015	% change
Camp and catering service revenue	$ 1,837	$ 3,636	(49%)

Service revenues are related to the transportation, set-up and de-mobilization of camps for customers. Revenues for the three months ended March 31, 2016 decreased by $1.8 million or 49% compared to the same period in 2015. The decrease was mainly due to lower activity levels in the large camp and drill camp operations with Q1 2016 having fewer projects of smaller scope compared to Q1 2015.

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 March 31		
(000's)	2016	2015	% change
Manufacturing sales revenue	$ 4,667	$ 29,432	(84%)

	Three months ended March 31			
	2016		2015	
	Direct Hours	% of total hours	Direct Hours	% of total hours
External hours	16,240	32%	181,946	75%
Internal hours	33,836	68%	60,192	25%
Total direct hours [(1)]	50,076	100%	242,138	100%

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

Revenues for the three months ended March 31, 2016 decreased by $24.8 million or 84% compared to the same period in 2015 as a result of lower demand for new product. Compared to Q1 2015, which had a large oil sands camp installation project, Q1 2016 had far fewer projects and each with significantly smaller scope.

Total direct hours, which include direct hours worked in the manufacturing plants and installation hours undertaken on project sites, for the three months ended March 31, 2016 decreased by 192,062 hours or 79%. The decrease in direct hours was a result of Horizon North managing production capacity through reduced overtime and headcount to align with manufacturing demand. Of the total direct hours, 32% were allocated to external sales projects in Q1 2016 compared to 75% in the same period of 2015, a reflection of the timing of external sales projects in the comparative quarters.

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 March 31		
(000's)	2016	2015	% change
Relocatable structures revenue	$ 2,787	$ 4,134	(33%)

Revenues for the three months ended March 31, 2016 decreased $1.3 million or 33% compared to the same period of 2015. The decrease in revenue was a result of lower fleet utilization and lower service revenue which is typically driven by the level of rental activity. Fleet utilization dropped to 43% compared to 61% in Q1 2015 mainly due to economic conditions affecting demand and the larger average fleet size of 1,387 units in Q1 2016 compared to 1,177 units in Q1 2015.

Direct costs

Direct costs for the three months ended March 31, 2016 were $56.3 million or 78% of revenues compared to $90.4 million or 74% of revenue for the same period of 2015. 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 Q1 2015, was primarily related to the significantly lower activity levels, particularly in the manufacturing operations. Direct costs, as a percentage of revenue, increased by 4% primarily due to the manufacturing operations lower volumes. As a result of the decreased manufacturing revenues, the fixed costs associated with manufacturing became a significantly larger proportion of manufacturing revenue and drove the overall increase of direct cost as a percentage of revenue.

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 March 31		
(000's except mat rental days and numbers of mats)	2016	2015	% change
Access mat rental revenue[1]	$ 1,224	$ 2,146	(43%)
Other mat and rental equipment revenue[2]	$ 147	$ 691	(79%)
Total mat and rental equipment revenue	$ 1,371	$ 2,837	(52%)
Mat sales revenue	241	2,030	(88%)
Installation, transportation, service and other revenue	4,092	6,702	(39%)
Total revenue	$ 5,704	$ 11,569	(51%)
EBITDAS	$ 1,070	$ 2,078	(49%)
EBITDAS as a % of revenue	19%	18%	
Operating loss	$ (861)	$ (89)	867%
Access mat rental days – owned mats[3]	724,573	1,138,718	(36%)
Access mat rental days – third party mats[4]	24,177	83,495	(71%)
Total access mat rental days	748,750	1,222,213	(39%)
Average owned access mats in rental fleet[5]	28,760	25,160	14%
Average sub rental access mats in rental fleet[6]	260	907	(71%)
Owned access mats in rental fleet at period end[7]	28,961	29,486	(2%)
Mats sold:			
New mats	-	212	(100%)
Used mats	580	2,757	(79%)
Total mats sold	580	2,969	(80%)

(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.

Compared to Q1 2015, revenues and EBITDAS in the matting segment saw a significant decrease as a result of the reduced demand for matting products and services. Similar to the Camps & Catering segment, the drop in oil and gas prices between the comparative quarters drove customers to delay or cancel capital projects and reduce costs through lower usage and pricing reductions. Revenues and EBITDAS for the three months ended March 31, 2016 were $5.7 million, a decrease of $5.9 million or 51% and $1.1 million, a decrease of $1.0 million or 49% respectively.

Mat and rental equipment revenue

Mat and rental equipment revenue for the three months ended March 31, 2016 decreased by $1.5 million or 52% compared to the same period of 2015. The revenue decrease compared to Q1 2015 was driven by lower access mat rental volumes and reduced revenue per mat rental day, a result of the generally lower demand due to the economic downturn. The lower rental activity drove a 39% decrease in mat rental days with utilization of the owned access mat fleet of 28% in Q1 2016 compared to 50% in Q1 2016. Revenue per mat rental day softened by 7% between the comparative quarters reflective of the downward pricing pressure experience. Mat rental rates declined from $1.76 in Q1 2015 to $1.63 in Q1 2016. The owned access mat fleet grew by 3,600 mat or 14% compared to Q1 2015 mainly as a result of a large used mat sale in Q1 2015 which drew down the rental fleet. Q1 2015 was a very strong quarter, it was anticipated that the demand would continue and the mats sold in Q1 2015 were replaced in Q2 2015.

Mat sales revenue

Revenues from mat sales for the three months ended March 31, 2016 decreased by $1.8 million or 88% compared to the same period of 2015. The volume of mats sold quarter over quarter was directly impacted by the reductions customers made to their capital programs in Q1 2016. Revenue per mat sold was lower in 2016 as the mix of used versus new mats shifted to 100% used mats.

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 March 31, 2016 decreased by $2.6 million or 39% compared to the same period in 2015. The decrease in revenue was primarily driven by the lower sales and rentals activity.

Direct costs

Direct costs for the three months ended March 31, 2016 were $4.4 million or 77% of revenue compared to $8.9 million or 77% of revenue for the same period of 2015. Direct costs are driven by both the level and mix of business activity with the decrease in the comparative quarters primarily a result of the lower activity levels, particularly the mat sales.

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, Information Technology, Human Resources, corporate accounting staff and associated costs of supporting a public company.

Corporate costs for the three months ended March 31, 2016 were $2.5 million, a decrease of $0.5 million or 18% compared to the same period in 2015. Q1 2015 included costs associated with restructuring and renegotiating the credit facility. Normalizing for these items the corporate costs in the comparative quarters were consistent. Corporate costs, as a percentage of total revenue increased to 3% compared to 2% for the three months ended March 31, 2015 mainly a result of the lower revenues in Q1 2016.

Other Items

Total Selling and administrative

Total selling and administrative expenses are the sales and marketing costs associated with each segment. The selling and administrative costs associated with the corporate segment have been discussed in the Corporate section above.

Selling and administrative expenses for the three months ended March 31, 2016 were $4.2 million, a decrease of $1.5 million or 26% compared to the same period in 2015. As a percentage of revenue, selling and administrative expenses for the three months ended March 31, 2016 were 5% compared to 4% for the three months ended March 31, 2015. Of the $1.5 million decrease, $0.5 million was related to the corporate costs discussed in the Corporate section above. The remainder of the decrease is related to the Camps & Catering segment. Q1 2015 included severance costs associated with the reorganization of manufacturing and consulting costs related to a specific bid. The remainder of the decrease was related to cost reductions in Q1 2016, particularly travel and entertainment expenses.

Depreciation

	Three months ended March 31		
(000's)	2016	2015	% change
Depreciation of property, plant and equipment	$ 12,616	$ 13,340	(5%)
Total depreciation and amortization	$ 12,616	$ 13,340	(5%)

Depreciation of property, plant and equipment decreased by $0.7 million or 5% mainly as a result of camp and catering fleet disposals and a reduction in camp setup depreciation as setup for several camps were fully depreciated.

Financing costs

Financing costs include interest on loans and borrowings and accretion of notes payable. For the three months ended March 31, 2016 financing costs were $0.6 million, a decrease of $0.8 million or 57% compared to 2015. The decrease in financing costs was mainly a result of lower average debt levels in the first quarter of 2016 which averaged $70.3 million compared to $149.2 million in the same period of 2015.

The effective interest rate on loans and borrowings for 2016 was 3.1% compared to 3.4% in 2015. The lower effective interest rate was a result of a decrease in the prime rate and the improved pricing under the latest amendments made to the credit facility at the end of Q1 2015.

Income taxes

For the three months ended March 31, 2016, income tax expense was $0.2 million compared to $3.8 million in the same period of 2015. The decrease in the expense was related to the lower profit before tax compared to 2015. The increase in the effective tax rate was primarily due to the rate differences in the provincial earnings allocation.

Gain/Loss on disposal

For the three months ended March 31, 2016, Horizon North recognized losses on disposals of $0.1 million compared to essentially no gains or losses in Q1 2015. The losses on disposal in Q1 2016 came mainly from normal management of operational assets.

Liquidity and Capital Resources

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

(000's)	March 31, 2016	December 31, 2015
Current assets	$ 82,082	$ 67,519
Current liabilities excluding loans and borrowings*(1)*	28,445	32,443
Current portion of loans and borrowings	-	-
Current liabilities	28,445	32,443
Working capital*(2)*	$ 53,637	$ 35,076
Bank borrowing:		
Available credit facility	$ 200,000	$ 200,000
Drawings on credit facility	70,088	57,527
Borrowing capacity*(3)*	$ 129,912	$ 142,473

(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 March 31, 2016 was $53.6 million compared to $35.1 million at December 31, 2015, an increase of $18.6 million. The increase in working capital was primarily due to an increase in accounts receivable driven by increased business activity in Q1 2016, reflective of the typical seasonal activity lift.

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 March 31, 2016, the Corporation was in compliance with all financial and non-financial covenants as shown below:

Debt Covenants	Covenants March 31, 2016
Maximum Consolidated Senior debt *(1)* to Consolidated EBITDAS ratio *(3)(4)* (must be 3.00:1.00 or less)	1.51:1.00
Maximum Consolidated Total debt *(2)* to Consolidated EBITDAS ratio *(3)(5)* (must be 4.25:1.00 or less)	1.51:1.00
Minimum Consolidated Interest coverage ratio*(6)* (must be 3.00:1.00 or more)	18.1:1.00

(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 three months ended March 31, 2016, capital spending was $7.5 million compared to $15.2 million in the same period of 2015 as a result of a reduced capital program and disciplined capital management. Capital spending in Q1 2016 was mainly focused on land improvements related to the Kitimat, British Columbia property in preparation for future development and fleet equipment and setup for newly contracted projects.

Management evaluates and manages its capital spending plans taking into account proceeds from the sale of property, plant and equipment which amounted to $3.6 million in the quarter resulting in net capital spending for the three months ended December 31, 2016 of $3.8 million compared to $12.2 million for the same period of 2015.

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 to date
(000's except per share amounts)	March 2016	June 2016	September 2016	December 2016	March 2016
Revenue	$ 77,909				$ 77,909
EBITDAS	13,236				13,236
Operating earnings	179				179
Total loss	(256)				(256)
Total comprehensive loss	(325)				(325)
Earnings (loss) per share – basic	$ -				$ -
Earnings (loss) per share – diluted	$ -				$ -

	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 one major customer during 2016 who generated 17% of total revenues compared to two major customers who generated 25% of total revenue in the same period of 2015. 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

Horizon North's IFRS accounting policies are provided in note 3 to the Consolidated Financial Statements as at the years ended December 31, 2015 and 2014. As at March 31, 2016, there were no changes in Horizon North's accounting policies.

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)	March 31, 2016	December 31, 2015
Neither impaired nor past due	$ 29,703	$ 24,283
Outstanding 31-60 days	16,929	6,345
Outstanding 61-90 days	1,173	1,045
Outstanding more than 90 days	3,067	1,684
Total	50,872	33,357
Accrued revenue	7,850	8,332
Construction receivables	6,542	9,270
Other receivables	294	159
Allowance for doubtful accounts	(2,201)	(2,240)
Total trade and other receivables	$ 63,357	$ 48,878

In the three months ended March 31, 2016, the Corporation provided an allowance for $2.2 million of receivables aged greater than 90 days. As at May 4, 2016, the Corporation has collected $0.8 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 March 31, 2016, included in construction receivables were holdbacks of $1.0 million (December 31, 2015 - $850,000). The total of construction receivables aged less than 90 days was 39% at March 31, 2016 (December 31, 2015 – 53%).

(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:

	March 31, 2016		December 31, 2015	
	Trade and other payables(1)	Loans and borrowings(2)	Trade and other payables(1)	Loans and borrowings(2)
Year 1	$ 27,835	$ -	$ 31,611	$ -
Year 2	-	70,088	-	57,100
Year 3	3,145	-	3,136	427
Year 4	-	-	-	-
Year 5 and beyond	6,178	-	5,927	-
	$ 37,158	$ 70,088	$ 40,674	$ 57,527

(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 three months ended March 31, 2016 by approximately $24,600 (March 31, 2015 - $36,000). 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 $175,000 for the three months ended March 31, 2016 (March 31, 2015 - $372,000). 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 exercisable options to purchase 3,657,530 shares for a total potential of 136,264,181 shares as at May 4, 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

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures as defined in National Instrument 52-109 of the Canadian Securities Administrators, to provide reasonable assurance that: (i) material information relating to the Corporation is made known to the CEO and the CFO by others, particularly during the period in which the interim filings are being prepared; and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

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 March 31, 2016 that have materially affected, or are reasonably likely to materially affect, Horizon North's DC&P.

Internal Controls over Financial Reporting

The CEO and the CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting as defined in National Instrument 52-109 of the Canadian Securities Administrators, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes to the Corporation's internal controls over financial reporting during the period ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect the Corporation's internal controls over financial reporting.

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 interest, 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 March 31	
(000's)	2016	2015
Total (loss) profit	$ (256)	$ 10,282
Add:		
Share based compensation	355	676
Depreciation & amortization	12,616	13,340
(Gain) loss on disposal of property, plant and equipment	86	(41)
Finance costs	569	1,322
Earnings on equity investments	(373)	-
Income tax expense	239	3,835
EBITDAS	$ 13,236	$ 29,414

Advisories

This Management's Discussion and Analysis, prepared as at May 4, 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's 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:

"Low and volatile oil and gas prices have persisted into 2016 with little indication of recovering in the near term. Without a clear indication of improving commodity prices Horizon North anticipates its pricing and activity levels will continue to moderate throughout the year as the continued economic uncertainty drives customers to reduce capital budgets and delay purchasing decisions.

Given the current environment Horizon North's focus for 2016 will be living within its means, matching expenditures to cash from operations. To achieve this Horizon North will be focused aligning manufacturing headcount to the current order book, managing the capital program to only essential maintenance and targeted expansion capital and reducing costs and improving efficiencies throughout the organization.

Horizon North's strategic initiative of business transformation will remain a high priority in 2016, continuing and building on the efforts started in 2015. The business transformation realigns and restructures the Corporation to focus on a fully integrated product and service offering, diversifying the business base and driving cost and efficiency initiatives. Diversifying the business base will be achieved through expanding into the permanent modular and facilities management markets."

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;
- capital investment in the Canadian oil and gas sector;

- dividend payments;
- 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.