This Management's Discussion and Analysis ("MD&A"), prepared as at November 1, 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.

Third Quarter Key Comments

- Horizon North was awarded several modular construction projects in Q3 2016, including an 85 room Ramada hotel in Revelstoke, British Columbia and an affordable housing project in Vancouver, British Columbia for the Vancouver Affordable Housing Authority. These projects will significantly strengthen the Manufacturing backlog for the remainder of 2016 and early 2017.
- Horizon North successfully completed the acquisition of Empire Camp Equipment Ltd. ("Empire Camps") on August 23, 2016;
- Demand for Horizon North's products and services, compared to Q3 2015, remained soft as a result of lower for longer commodity prices. Horizon North's customers continue to actively reduce costs through deferral of plant maintenance projects and significantly limited capital budgets;
- Debt and Total Debt to EBITDAS increased as a result of the timing difference between the acquisition of Empire Camps and expected settlement of insurance claims related to the loss of Blacksand Executive Lodge; and
- The insurance claims related to the losses experienced in the Fort McMurray wildfire were formally submitted and Horizon North continues to work closely with insurers to facilitate the claims process.

Third Quarter Financial Summary

	Three months ended September 30			Nine months ended September 30		
(000's except per share amounts)	2016	2015	% Change	2016	2015	% Change
Revenue	$ 60,097	$ 82,311	(27%)	$ 190,515	$ 301,167	(37%)
EBITDAS[(1)]	7,126	14,435	(51%)	24,052	53,942	(55%)
EBITDAS as a % of revenue	12%	18%		13%	18%	
Operating (loss) earnings	(4,721)	313	(1,608%)	(13,900)	11,718	(219%)
Operating (loss) earnings as a % of revenue	(8%)	-		(7%)	4%	
Total (loss) profit	(4,863)	(170)	2,761%	(13,101)	4,154	(415%)
Total comprehensive (loss) income	(4,860)	(273)	1,680%	(13,169)	4,119	(420%)
Earnings (loss) per share						
Basic	$ (0.04)	$ -	-	$ (0.10)	$ 0.04	(350%)
Diluted	$ (0.04)	$ -	-	$ (0.10)	$ 0.04	(350%)
Total assets	488,535	483,745	1%	488,535	483,745	1%
Long-term loans and borrowings	73,044	47,316	54%	73,044	47,316	54%
Funds from operations	6,892	14,046	(51%)	24,113	51,484	(53%)
Capital spending						
Purchase of property, plant & equipment	4,738	13,098	(64%)	17,860	41,236	(57%)
Proceeds from disposals of property, plant & equipment	(1,624)	(1,326)	22%	(6,823)	(7,452)	(8%)
Net Capital spending	3,114	11,772	(74%)	11,037	33,784	(67%)
Senior debt to EBITDAS[(2)]	1.97:1.00	0.64:1.00		1.97:1.00	0.64:1.00	
Total debt to EBITDAS[(2)]	1.97:1.00	0.64:1.00		1.97:1.00	0.64:1.00	
Debt to total capitalization ratio	0.18:1.00	0.13:1.00		0.18:1.00	0.13:1.00	
Dividends declared	$ 2,892	$ 10,609	(73%)	$ 8,219	$ 28,337	(71%)
Dividends declared per share	$ 0.02	$ 0.08	(75%)	$ 0.06	$ 0.24	(75%)

(1) *Please refer to page 24 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 15 of the Management's Discussion and Analysis for the definitions of Debt to EBITDAS.*

Third Quarter Overview

Results for the three months ended September 30, 2016 ("Q3 2016") decreased across all financial measures compared to three months ended September 30, 2015 ("Q3 2015"). Persistent poor economic conditions driven by low commodity prices have caused Horizon North's customers to defer projects and severely reduce capital budgets. As a result, Horizon North has seen limited opportunities to maintain or grow the revenue backlog; new projects added to the backlog were won with very aggressive pricing and reduced margins in order to maintain market share. The third quarter experienced softer demand across all operations. In particular, the camp and catering operations were weaker than expected as post Fort McMurray wildfire activity decreased significantly in September combined with the deferral of projects by our regular customer base drove lower volumes. Similarly the rentals and manufacturing operations experienced weaker demand reducing utilization and demand.

Revenues from camp rental and catering operations for Q3 2016 decreased compared to the same period of 2015 as a result of generally lower activity levels mainly attributable to contracts which expired or ramped down during the year as the associated projects completed. In addition, Q3 2015 experienced high demand for base and line incident camps associated with fire suppression efforts, activity which did not materialize in Q3 2016. As contracts completed and ramped down throughout 2016 refilling the backlog was particularly challenging given the ongoing low levels of project spending and capital investment by our customers which limited the number and scope of bidding opportunities. Projects which were added to the backlog were won with very aggressive pricing and reduced margins resulting in revenue per average available bed ("RevPAAB") and utilization of $44 and 50% respectively, down from $58 and 54% in Q3 2015. The rentable bed fleet at the close of Q3 2016 was 9,405 rentable beds, a decrease of 220 beds. The decrease was a result of equipment sales throughout 2016 and the loss of the Blacksand Executive Lodge beds which were partially offset by the acquisition of the Empire Camps beds.

Manufacturing revenues for Q3 2016 were below the comparative quarter as a result of a limited number of projects with low contract value. By contrast, activity in Q3 2015 was focused on the completion of a significant oil sands camp installation project which drove the majority of revenue. Total direct hours, which include all direct hours in the manufacturing plants and associated installation hours on project sites, for Q3 2016 were down 90% compared to Q3 2015 with 34% of total direct allocated to third party contracts compared to 43% in the same period of 2015.

Revenues from the Rentals and Logistics segment for Q3 2016 decreased compared to the same quarter of 2015. The lower revenue was a result of the reduced demand for rental equipment, particularly access mats and space rental units, combined with downward pressure on pricing. Utilization and pricing of the mat rental fleet was 57% and $0.96 per mat rental day respectively, compared to 54% and $1.34 in the same period of 2015. The higher utilization, compared to Q3 2015, was mainly related to the change in fleet size which decreased by 12%. For space rental units, lower demand resulted in utilization of 38% in Q3 2016 compared to 63% in Q3 2015.

Horizon North's EBITDAS in Q3 2016 decreased compared to Q3 2015 mainly as a result of the significantly lower activity levels and the downward pressure on pricing compared to Q3 2015. Operating loss and loss per share for Q3 2016 increased compared to the same period of 2015 due to the reduced revenues and EBITDAS discussed above. Depreciation and amortization for Q3 2016 decreased compared to Q3 2015 as camp setup costs became fully depreciated throughout the year and due to the loss of the Blacksand Executive Lodge.

Horizon North continued to maintain a strong focus on managing the Statement of Financial Position through minimizing working capital and a reduced capital program. Total loans and borrowings were $73.0 million at the end of Q3 2016 compared to $52.0 million at July 31, 2016 and $47.3 million in Q3 2015. The increase was mainly due to timing between the Empire Camps acquisition and settlement of the insurance claim. As a result of the increased debt, the Debt to EBITDAS ratio was 1.97:1.00 compared to 0.64:1.00 at September 30, 2015.

Outlook

Horizon North's Q3 results were reflective of the slower than anticipated pace of the Fort McMurray wildfire recovery efforts and customer deferrals of plant maintenance programs as a result of the wildfires in May or deferring costs to 2017. These factors have led us to soften our expectations for Q4 2016 and the first half of 2017. Horizon North is encouraged by the modular construction contract awards in Q3, however, we continue to believe the next six to nine months will be challenging given the current economic environment and expect a period of relative commodity price stability will be required in order for capital investment to re-start.

Transformational change to our business will continue to be a high priority, moving the Corporation towards two distinct business offerings; Modular Construction, consisting of residential, retail and commercial products and Industrial, which represents the more traditional camps and catering and rentals products and services. The third quarter was very encouraging for both offerings with Modular Construction signing several significant projects including an 85 room hotel and Industrial successfully closing the Empire Camps acquisition.

The strength of the Statement of Financial Position is a key priority for Horizon North and we will continue to closely manage debt levels and working capital. Our focus will be to maintain a manageable leverage position and balance cash outflow with cash inflow through reducing debt, minimizing working capital and minimal capital spending.

Dividend payment

Horizon North announced today that its Board of Directors has declared a dividend for the third quarter of 2016 at $0.02 per share. The dividend is payable to shareholders of record at the close of business on December 30, 2016 to be paid on January 16, 2017. The Board of Directors regularly monitors the strength of the Statement of Financial Position, cash from operations and capital requirements to ensure the overall sustainability of Horizon North is not compromised. The dividends will be eligible dividends for Canadian tax purposes.

Third Quarter Financial Results

(000's)	Camps & Catering	Rentals & Logistics	Corporate	Inter-segment Eliminations	Total
	Three months ended September 30, 2016				
Revenue	$ 50,779	$ 9,318	$ -	$ -	$ 60,097
Expenses					
Direct costs	41,348	6,553	24	-	47,925
Selling & administrative	1,073	603	3,370	-	5,046
EBITDAS	$ 8,358	$ 2,162	$ (3,394)	$ -	$ 7,126
EBITDAS as a % of revenue	16%	23%	-	-	12%
Share based compensation	71	22	80	-	173
Depreciation & amortization	9,431	2,082	231	(10)	11,734
Gain on disposal of property, plant and equipment	(54)	(6)	-	-	(60)
Operating (loss) earnings	$ (1,090)	$ 64	$ (3,705)	$ 10	$ (4,721)
Finance costs					595
Loss on equity investments					193
Income tax recovery					(646)
Total loss					$ (4,863)
Other comprehensive income					(3)
Total comprehensive loss					$ (4,860)
Loss per share – basic					$ (0.04)
– diluted					$ (0.04)

(000's)	Camps & Catering	Rentals & Logistics	Corporate	Inter-segment Eliminations	Total
	Three months ended September 30, 2015				
Revenue	$ 69,466	$ 13,186	$ -	$ (341)	$ 82,311
Expenses					
Direct costs	53,194	9,101	(94)	(341)	61,860
Selling & administrative	1,457	786	3,773	-	6,016
EBITDAS	$ 14,815	$ 3,299	$ (3,679)	$ -	$ 14,435
EBITDAS as a % of revenue	21%	25%	-	-	18%
Share based compensation	156	41	158	-	355
Depreciation & amortization	9,790	3,674	244	(47)	13,661
Loss on disposal of property, plant and equipment	101	5	-	-	106
Operating (loss) earnings	$ 4,768	$ (421)	$ (4,081)	$ 47	$ 313
Finance costs					595
Income tax recovery					(112)
Total loss					$ (170)
Other comprehensive loss					103
Total comprehensive loss					$ (273)
Earnings (loss) per share – basic					$ -
– diluted					$ -

Third Quarter Financial Results (Continued)

	Nine months ended September 30, 2016				
(000's)	Camps & Catering	Rentals & Logistics	Corporate	Inter-segment Eliminations	Total
Revenue	$ 164,389	$ 26,126	$ -	$ -	$ 190,515
Expenses					
Direct costs	134,488	18,365	(257)	-	152,596
Selling & administrative	3,060	1,631	9,176	-	13,867
EBITDAS	$ 26,841	$ 6,130	$ (8,919)	$ -	$ 24,052
EBITDAS as a % of revenue	16%	23%	-	-	13%
Share based compensation	289	95	420	-	804
Depreciation & amortization	27,925	7,994	695	(71)	36,543
Loss (gain) on disposal of property, plant and equipment	867	(199)	(19)	(44)	605
Operating (loss) earnings	$ (2,240)	$ (1,760)	$ (10,015)	$ 115	$ (13,900)
Finance costs					1,735
Earnings on equity investments					(204)
Income tax recovery					(2,330)
Total loss					$ (13,101)
Other comprehensive loss					68
Total comprehensive loss					$ (13,169)
Loss per share – basic					$ (0.10)
– diluted					$ (0.10)

	Nine months ended September 30, 2015				
(000's)	Camps & Catering	Rentals & Logistics	Corporate	Inter-segment Eliminations	Total
Revenue	$ 257,831	$ 44,385	$ -	$ (1,049)	$ 301,167
Expenses					
Direct costs	201,760	28,900	(13)	(1,049)	229,598
Selling & administrative	4,892	2,555	10,180	-	17,627
EBITDAS	$ 51,179	$ 12,930	$ (10,167)	$ -	$ 53,942
EBITDAS as a % of revenue	20%	29%	-	-	18%
Share based compensation	629	175	577	-	1,381
Depreciation & amortization	29,274	10,587	692	(139)	40,414
Loss on disposal of property, plant and equipment	424	5	-	-	429
Operating (loss) earnings	$ 20,852	$ 2,163	$ (11,436)	$ 139	$ 11,718
Finance costs					2,935
Income tax expense					4,629
Total profit					$ 4,154
Other comprehensive loss					35
Total comprehensive income					$ 4,119
Earnings per share – basic					$ 0.04
– diluted					$ 0.04

Camps & Catering

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

	Three months ended September 30					Nine months ended September 30				
Revenues *(000's)*		2016		2015	% change		2016		2015	% change
Large Camp revenue	$	34,936	$	50,110	(30%)	$	122,151	$	168,793	(28%)
Drill Camp revenue		1,983		1,953	2%		5,137		8,825	(42%)
Catering only revenue		4,877		3,010	62%		15,199		9,735	56%
Service revenue		5,664		4,543	25%		14,500		13,286	9%
Total Camp rental and catering revenues	$	47,460	$	59,616	(20%)	$	156,987	$	200,639	(22%)
Manufacturing sales revenue		3,319		9,850	(66%)		7,402		57,192	(87%)
Total revenue	$	50,779	$	69,466	(27%)	$	164,389	$	257,831	(36%)
EBITDAS	$	8,358	$	14,815	(44%)	$	26,841	$	51,179	(48%)
EBITDAS as a % of revenue		16%		21%			16%		20%	
Operating earnings (loss)	$	(1,090)	$	4,768	(123%)	$	(2,240)	$	20,852	(111%)

Revenues from the Camps & Catering segment for the three months ended September 30, 2016 were $50.8 million, a decrease of $18.7 million or 27% compared to the three months ended September 30, 2015. EBITDAS for the three months ended September 30, 2016 were $8.4 million, a decrease of $6.5 million or 44% compared to the same period of 2015. The decrease in Q3 2016 segment revenues and EBITDAS, compared Q3 2015, was primarily associated with the lack of demand for Horizon North's products and services as a result of weak commodity prices which have persisted since late in 2014. The ongoing poor economic environment has driven Horizon North's customers to severely reduce capital budgets and defer projects limiting Horizon North's opportunities to maintain or grow the revenue backlog. New projects added to the backlog were won with very aggressive pricing and tighter margins further reducing EBITDAS and EBITDAS as a percentage of revenue compared to Q3 2015. Revenues from the Camps & Catering segment for the nine months ended September 30, 2016 were $164.4 million, a decrease of $93.4 million or 36% compared to the same period of 2015 with EBITDAS also decreasing year over year. The lower revenue and EBITDAS year to date 2016, compared to the same period of 2015, was a result of the lower demand driven by the factors discussed above. The lower demand in 2016 was particularly acute in the large camp operations which saw a very muted seasonal lift in Q1 2016 and minimal incident camp activity in Q3 2016 compared to record Q1 2015 activity and very strong Q3 2015 incident camp activity. Similarly, manufacturing projects in 2016 have been limited in number and scope compared to a large oil sands project completed in 2015.

Horizon North's revenues in the Camps & Catering segment continue to be driven by Alberta oil sands activity with 40% of revenues for the nine months ended September 30, 2016 generated from oil sands related projects compared to 50% in the same period of 2015. The decrease was primarily due to the completion of a significant oil sands camp construction and installation project in Q3 2015 with no comparable project in the first half of 2016.

Large Camps

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

	Three months ended September 30			Nine months ended September 30		
Revenues *(000's)*	2016	2015	% change	2016	2015	% change
Large Camp revenue	$ 34,936	$ 50,110	(30%)	$ 122,151	$ 168,793	(28%)
Bed rental days (1)	400,238	469,085	(15%)	1,342,689	1,523,443	(12%)
Revenue per bed rental day	$ 87	$ 107	(19%)	$ 91	$ 111	(18%)
RevPAAB (2)	$ 44	$ 58	(24%)	$ 50	$ 67	(25%)
Rentable beds at period end (3)	9,405	9,625	(2%)	9,405	9,625	(2%)
Average rentable beds (4)	8,628	9,393	(8%)	8,851	9,156	(3%)
Utilization (5)	50%	54%	(7%)	55%	61%	(10%)

(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) Rentable beds at period end includes the removal the Blacksands beds destroyed in the fire.
(4) Average rentable beds is equal to total average beds in the fleet over the period less beds required for staff. For Q2 2016, beds made unavailable due to the fire situation were excluded.
(5) Utilization equals the total number of bed rental days divided by average rentable beds in the period.

Revenues from Large Camp operations for the three months ended September 30, 2016 decreased by $15.2 million, or 30% compared to the same period of 2015. The decrease between the comparative quarters was mainly due to the completion of several large camp contracts since Q3 2015 and very minimal incident camp activity in the quarter compared to Q3 2015. The challenging economic environment has persisted since the drop in commodity prices in late 2014 and resulted in Horizon North's customers significantly reducing capital budgets and projects, in turn, limiting Horizon North's ability to maintain and grow the backlog of work. Projects added to the backlog were won with aggressive pricing and tighter margins resulting in lower revenues, reduced EBITDAS and EBITDAS as a percentage of revenue.

As a result of the weaker demand for Horizon North's services, described above, the Q3 2016 Large Camp key performance metrics decreased compared to Q3 2015 with Q3 2016 RevPAAB and utilization both lower by 24% and 7%, respectively compared to Q3 2015. The fleet size at the end of the period decreased by 220 beds or 2% compared to Q3 2015 mainly due to equipment sales throughout the year, the removal of the Blacksands Executive Lodge beds which were partially offset by the beds added through the Empire Camp acquisition.

Revenues from large camp operations for the nine months ending September 30, 2016 decreased by $46.6 million or 28% compared to the same period of 2015. The decrease was attributable to downward pricing pressure and lower demand for Large Camp services compared to 2015. The impact of downward pricing pressure began in Q2 2015 and continued through Q3 of 2016. The decrease in activity levels, compared to 2015, were attributable to several factors; the completion and ramp down of several large camp contracts, record high seasonal activity experienced in Q1 2015 and particularly strong incident camp activity in Q3 2015 both of which were very muted in 2016. Although the wild fires in the Fort McMurray area had a significant impact on Horizon North with the loss of Blacksand Executive Lodge, the drop in revenue and EBITDAS experienced in May were offset by the rebound in June 2016 as a result of the post-fire recovery activity.

Drill Camps

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

	Three months ended September 30			Nine months ended September 30		
Revenues *(000's)*	2016	2015	% change	2016	2015	% change
Drill Camp revenue	$ 1,983	$ 1,953	2%	$ 5,137	$ 8,825	(42%)
Bed rental days [1]	17,472	13,416	30%	40,596	54,088	(25%)
Revenue per bed rental day	$ 113	$ 146	(23%)	$ 127	$ 163	(22%)
RevPAAB [2]	$ 25	$ 27	(7%)	$ 21	$ 39	(46%)
Rentable beds at period end	899	831	8%	899	831	8%
Average rentable beds [3]	879	792	11%	896	825	9%
Utilization [4]	22%	18%	22%	17%	24%	(29%)

(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 rentable bed calculated as Drill Camp revenue divided by average rentable beds in the period.
(3) Average rentable beds 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 in the period.

Revenues from Drill Camp operations for the three months ended September 30, 2016 were consistent with the same period of 2015. The Canadian Association of Oil Drilling Contractors (CAODC) reported Q3 2016 rig utilization of 17% compared to 24% in Q3 2015. Despite these CAODC statistics, drill camp utilization strengthened to 22% from 18% which was offset by a decrease in RevPAAB to $25 from $27 in Q3 2015. The increase in utilization and offsetting decrease in RevPAAB was part of an aggressive pricing strategy to increase activity levels and gain market share.

Revenues from Drill Camp operations for the nine months ended September 30, 2016 decreased $3.7 million or 42%. The Canadian Association of Oil Drilling Contractors (CAODC) reported year to date rig utilization of 15%, down from 25% in the same period of 2015. Drill camp activity levels typically follow industry activity levels and, reflective of the decrease in rig utilization year over year, drill camp utilization and RevPAAB decreased year over year.

Catering Only

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

	Three months ended September 30			Nine months ended September 30		
(000's for revenue only)	2016	2015	% change	2016	2015	% change
Catering only revenue	$ 4,877	$ 3,010	62%	$ 15,199	$ 9,735	56%
Catering only days[1]	36,610	20,651	77%	123,536	70,436	75%
Revenue per catering only day	$ 133	$ 146	(9%)	$ 123	$ 138	(11%)

(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 September 30, 2016 increased by $1.9 million or 62% compared to same period of 2015. The increase was mainly the addition of a new contract in late Q4 2015. Revenue per catering only day decreased by 9% primarily due to competitive pricing environment and the different contract mix between the comparative quarters.

Revenues from the provision of catering and housekeeping services, with no associated bed rentals, for the nine months ended September 30, 2016 increased $5.5 million or 56% compared to same period of 2015. The increased revenues compared to 2015, were associated with the contract added in Q4 2015 along with catering services related to the Fort McMurray wildfire in Q2 2016. Revenue per catering only day decreased by 11% as a result of the competitive market environment.

Service

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

(000's)	Three months ended September 30 2016	2015	% change	Nine months ended September 30 2016	2015	% change
Service revenue	$ 5,664	$ 4,543	25%	$ 14,500	$ 13,286	9%

Service revenues are related to the transportation, set-up and de-mobilization of camps for customers. Revenues for the three months ended September 30, 2016 increased by $1.1 million or 25% compared to the same period in 2015. The increase was mainly due to contracts added to mobilize and install customer-owned equipment in the Fort McMurray area, as well as work related to a Northwest Territories mining contract.

Revenues for the nine months ended September 30, 2016 increased by $1.2 million or 9% compared to the same period in 2015. The increase was mainly due to the same reasons noted above, and the timing of specific service projects undertaken in the comparative period.

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:

(000's)	Three months ended September 30 2016	2015	% change	Nine months ended September 30 2016	2015	% change
Manufacturing sales revenue	$ 3,319	$ 9,850	(66%)	$ 7,402	$ 57,192	(87%)

	Three months ended September 30				Nine months ended September 30			
	2016		2015		2016		2015	
Direct Hours	Hours	% of total hours	Hours	% of total hours	Hours	% of total hours	Hours	% of total hours
External hours	4,491	34%	56,117	43%	9,533	15%	371,213	65%
Internal hours	8,815	66%	74,307	57%	52,111	85%	199,537	35%
Total direct hours (1)	13,306	100%	130,424	100%	61,644	100%	570,750	100%

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

Revenues for the three months ended September 30, 2016 decreased by $6.5 million or 66% compared to the same period in 2015. The decrease is reflective of the weaker demand for Horizon North's manufactured products and services between the comparative quarters. The sustained depressed commodity prices have caused Horizon North's customers to reduce capital budgets resulting in weak demand for Horizon North's manufacturing products and services.

Total direct hours, which include direct hours worked in the manufacturing plants and installation hours undertaken on project sites, for the three months ended September 30, 2016 decreased by 117,118 hours or 90% compared the same period of 2015. The decrease in direct hours was a result of Horizon North managing production capacity through reduced overtime and headcount to align with project visibility. Of the total direct hours, 34% were allocated to external sales projects in Q3 2016 compared to 43% in the same period of 2015, a reflection of the timing of external sales projects in the comparative quarters.

Revenues for the nine months ended September 30, 2016 decreased by $49.8 million or 87% compared to the same period of 2015. Activity in 2016 was mainly focused on a limited number of projects with smaller scope when compared to 2015 where activity was mainly focused on a large project in the Alberta oil sands which completed in early Q3 2015.

Total direct hours, which include direct hours worked in the manufacturing plants and installation hours undertaken on project sites, for the nine months ended September 30, 2016 decreased by 509,106 hours or 89% compared the same period in 2015. The decrease in direct hours was a result of Horizon North managing production capacity through reduced overtime and headcount to align with project visibility. Of the total direct hours, 15% were allocated to external sales projects in 2016 compared to 65% in the same period of 2015, reflective of the major oil sands camp installation project in 2015.

Direct costs

Direct costs for the three months ended September 30, 2016 were $41.3 million or 81% of revenues compared to $53.2 million or 77% 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 for Q3 2016 compared to the same period in 2015 was primarily related to the significantly lower activity levels, particularly in the manufacturing and large camp operations, as outlined in the relevant sections above. As a percentage of revenue, direct costs increased by 5% in Q3 2016, compared to Q3 2015, due to downward pricing pressure as a result of the poor economic environment and underutilization of the manufacturing facilities.

Direct costs for the nine months ended September 30, 2016 were $134.5 million or 82% of revenue compared to $201.8 million or 78% in the same period of 2015. The decrease in direct costs is related to the lower levels of activity year over year while the increase in direct costs as a percentage of revenue was related to the pricing and underutilization factors discussed above.

Rentals and Logistics

Rentals & Logistics revenues are comprised of: relocatable structures rentals, access mat rentals, other equipment rentals, used equipment sales and installation, transportation associated with the rentals and sales. Relocatable structures is comprised of office units, lavatory units, mine dry units, wellsite units and the associated equipment. Other equipment rentals includes light towers, garbage bins and other miscellaneous equipment.

	Three months ended September 30			Nine months ended September 30		
(000's except mat rental days and numbers of mats)	2016	2015	% change	2016	2015	% change
Relocatable structures revenue[(1)]	$ 1,150	$ 2,244	(49%)	$ 4,135	$ 7,393	(44%)
Access mat rentals revenue [(2)]	1,336	2,580	(48%)	4,008	9,087	(56%)
Other equipment rentals revenue [(3)]	113	267	(58%)	391	1,189	(67%)
Used equipment sales revenue	840	707	19%	1,979	3,919	(50%)
Installation, transportation, service, and other revenue	5,879	7,388	(20%)	15,613	22,797	(32%)
Total revenue	$ 9,318	$ 13,186	(29%)	$ 26,126	$ 44,385	(41%)
EBITDAS	$ 2,162	$ 3,299	(34%)	$ 6,130	$ 12,930	(53%)
EBITDAS as a % of revenue	23%	25%		23%	29%	
Operating earnings (loss)	$ 64	$ (421)	(115%)	$ (1,760)	$ 2,163	(181%)
Relocatable Structures						
Average fleet size	1,226	1,362	(10%)	1,232	1,280	(4%)
Fleet end of period	1,224	1,430	(14%)	1,224	1,430	(14%)
Rental days [(4)]	42,299	79,429	(47%)	134,880	241,314	(44%)
Utilization [(5)]	38%	63%	(40%)	40%	69%	(42%)
Access mats						
Average fleet sized owned [(6)]	26,837	30,651	(12%)	28,128	28,839	(2%)
Fleet end of period owned [(7)]	26,176	29,964	(13%)	26,176	29,964	(13%)
Rental days owned [(8)]	1,396,021	1,517,485	(8%)	3,362,708	4,896,535	(31%)
Rental days third party [(9)]	460	414,495	(100%)	24,637	1,164,199	(98%)
Total Rental Days	1,396,481	1,931,980	(28%)	3,387,345	6,060,734	(44%)
Utilization owned [(10)]	57%	54%	(6%)	44%	62%	(29%)
Revenue per mat rental day [(11)]	$ 0.96	$ 1.34	(28%)	$ 1.18	$ 1.50	(21%)
Used Sales						
Relocatable structures [(12)]	9	15	(40%)	54	83	(35%)
Mats [(12)]	1,970	1,138	(73%)	3,065	6,416	(52%)

(1) Relocatable structures revenue includes rental revenue generated from office, lavatory and mine dry units and complexes as well the associated equipment.
(2) Access mat rental revenue includes revenues generated from the rental of traditional oak and oak edged mats.
(3) Other equipment rental revenue includes the rental of rig mats, quad mats and other ancillary equipment such as light towers and garbage bins.
(4) One rental day equals the rental of one unit for one day.
(5) Utilization equals the total number of unit rental days divided by average rentable units in the period.
(6) Average access mat rental fleet numbers reflect only owned access mats.
(7) Access mats in rental fleet at period end represents the number of owned access mats in the Matting fleet.
(8) One mat rental day equals the rental of one owned access mat for one day.
(9) One mat rental day equals the rental of one third party sub rented access mat for one day.
(10) Utilization equals the total number of mat rental days divided by average rentable mats in the period.
(11) Revenue per mat rental day equals access mat rentals revenue divided by total access mats rental days.
(12) Represents the number of units sold in the period.

Revenues from the Rental and Logistics segment for the three months ended September 30, 2016 were $9.3 million, a decrease of $3.9 million or 29% in comparison to the same period of 2015. The decrease was driven by lower activity levels and reduced pricing across most of the operations with the most notable being the mat and space rentals. Decreases in pricing and activity were mainly driven by the ongoing depressed commodity prices resulting in significant reductions to Horizon North's customers' capital and project budgets. EBITDAS for the three months ended September 30, 2016 were $2.2 million, a decrease of $1.1 million or 34% compared to the same period of 2015. Q3 2016 EBITDAS as a percentage of revenue were 23%, down from 25% in Q3 2015 mainly due to pricing reductions in order to maintain market share.

Revenues from the Rental and Logistics segment for the nine months ended September 30, 2016 were $26.1 million, a decrease of $18.3 million or 41% from the same period in 2015. EBITDAS for the nine months ended September 30, 2016 were $6.1 million, a decrease of $6.8 million or 53% compared to the same period of 2015. The year to date decreases in revenues and EBITDAS are mainly attributable to the same factors discussed above.

Relocatable Structures

Relocatable structures revenues include the rental of relocatable structures which includes: office units, lavatory units, mine dry units and associated equipment.

Relocatable structures revenues for the three months ended September 30, 2016 decreased $1.1 million or 49% compared to the same period of 2015. The decrease in revenue was the result of lower fleet utilization driven by current market conditions. Fleet utilization dropped to 38% from 63% in Q3 2015 mainly due to economic conditions affecting demand in Q3 2016 compared to Q3 2015.

Revenues for the nine months ended September 30, 2016 were $4.1 million, a decrease of $3.3 million or 44% compared to the same period of 2015. The decrease was primarily a result of lower utilization throughout 2016. Utilization for the first nine months of 2016 was 40% of 1,232 units compared to 69% of 1,280 units during 2015.

Access mat rentals revenue

Access mat rental revenue for the three months ended September 30, 2016 decreased by $1.2 million or 48% compared to the same period of 2015. The revenue decrease was driven by both lower access mat rental volumes and reduced revenue per mat rental day, a result of the economic downturn. Rental volumes decreased by 28% in Q3 2016 compared to the same period of 2015 with Q3 2016 revenue per mat rental also declining to $0.96 from $1.34 in the same period of 2015. Utilization of owned mats increased to 57% in the quarter from 54% in Q3 2015. The increased utilization was related to the smaller average fleet size between the comparative quarters, reflective of the used sales in Q3 2016.

Revenues for the nine months ended September 30, 2016 were $4.0 million, a decrease of $5.1 million or 56% compared to the same period of 2015. The decrease is driven by lower activity levels and softer pricing. Utilization for the first nine months of 2016 was 44% compared to 62% during the same period of 2015, equating to 2.7 million fewer rental days in 2016. Revenue per mat rental day declined during the first nine months of 2016 to $1.18, compared to $1.50 in the same period of 2015.

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 September 30, 2016 decreased by $1.5 million or 20% compared to the same period in 2015. The decrease in revenue was primarily driven by the lower activity levels in the rental operations.

Revenues for the nine months ended September 30, 2016 decreased by $7.2 million or 32% compared to the same period in 2015. The decrease in revenue was primarily driven by the lower rentals and sales activity during the first three quarters of 2016 compared to 2015.

Direct costs

Direct costs for the three months ended September 30, 2016 were $6.6 million or 70% of revenue compared to $9.1 million or 69% of revenue for the same period of 2015. Direct costs are driven by both the level and mix of business activity consisting primarily of labour, raw material, trucking, rent and utility costs. The decrease of direct cost in Q3 2016, compared to Q3 2015, was mainly related to the decrease in business activity. As a percentage of revenue, direct costs remained fairly consistent between the comparative quarters indicating that management was able to decrease costs to maintain reasonably consistent margins in the comparative quarters.

Direct costs for the nine months ended September 30, 2016 were $18.4 million or 70% of revenue compared to $28.9 million or 65% of revenue for the same period of 2015. The decrease in direct costs for the nine months ended September 30, 2016 reflects the decrease in business activity, particularly in the equipment sales and installation operations. Direct costs as a percentage of revenue increased by 8% in Q3 2015. This increase was mainly attributable to the significant decline in prices between the comparative quarters, most acutely in the revenue per mat rental day rates.

Selling & administrative costs

Selling & administrative costs are comprised of sales and marketing costs associated with each segment, along with corporate costs which reflect head office costs and include the President and Chief Executive Officer, Senior Vice President Finance and Chief Financial Officer, Executive 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.

Selling and administrative expenses for the three months ended September 30, 2016 were $5.0 million, a decrease of $1.0 million or 16% compared to the same period in 2015. The decrease is due to restructuring and severance costs incurred in Q3 2015 and cost reduction initiatives implemented throughout 2016. As a percentage of revenue, selling and administrative expenses for the three months ended September 30, 2016 were 8% compared to 7% for Q3 2015 as a result of decreased revenue.

For the nine months ended September 30, 2016, costs were $13.9 million, a decrease of $3.8 million or 21% compared to the same periods in 2015**.** The first nine months of 2015 included costs of $1.5 million in the manufacturing operations related to a specific bid and severance costs associated with the reorganization of the manufacturing operations. Normalizing for these costs in 2015, selling and administration and corporate costs decreased by $2.3 million and as a percentage of revenue were 5% compared to 7% in the comparative nine month period of 2016. The increase, as a percentage of revenue, was mainly attributable to the decrease in revenue.

Other items

Depreciation and amortization

	Three months ended September 30			Nine months ended September 30		
(000's)	2016	2015	% change	2016	2015	% change
Depreciation of property, plant and equipment	$ 11,650	$ 13,661	(15%)	$ 36,438	$ 40,414	(10%)
Amortization of Intangibles	84	-	-	105	-	-
Total depreciation and amortization	$ 11,734	$ 13,661	(14%)	$ 36,543	$ 40,414	(10%)

Depreciation of property, plant and equipment decreased by $1.9 million in the three months ended September 30, 2016 as compared to the same period of 2015. For the nine months ended September 30, 2016, depreciation decreased by $3.9 million compared to the same period of 2015. The decrease was mainly a result of fleet disposals and a reduction in camp setup depreciation due to several camps being fully depreciated. The amortization of intangibles is related with the acquisition of Karoleena Inc. in June 2016 and Empire Camp Equipment Ltd. in August 2016.

Financing costs

Financing costs include interest on loans and borrowings. For the three months ended September 30, 2016, financing costs were $0.6 million consistent with Q3 2015. For the nine months ended September 30, 2016, financing costs were $1.7 million, a decrease of $1.2 million or 41% compared to the nine months ended September 30, 2015. The decrease in financing costs was mainly a result of lower average debt levels in 2016 which averaged $66.5 million compared to $105.0 million in the same period of 2015.

The effective interest rate on loans and borrowings for the three and nine months ended September 30, 2016 was 3.4%, slightly higher in comparison to the comparative period at 3.1%. The slightly higher effective interest rate was due to increased standby fees as the average borrowing capacity in 2016 was $133.5 million in comparison to $95.0 million in 2015.

Income taxes

Income taxes for the three and nine months ended September 30, 2016 were an overall recovery of $0.6 million and $2.3 million compared to a recovery of $0.1 million and expense of $4.6 million in the 2015 comparative periods. The change in overall income taxes is due primarily to a larger net loss before tax adjusted for non-deductible expenses such as share-based compensation in the three and nine months ended September 30, 2016 compared to the 2015 comparative periods, and an increase in the provincial tax rate of 2% effective July 1, 2015.

Gain/Loss on disposal

For the three months ended September 30, 2016, the gain and loss on disposal were consistent compared to the same period of 2015. Similarly for the nine months ended September 30, 2016, the loss on disposal was consistent with the same period of 2015. The gains and losses on disposals are typically generated 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)	September 30, 2016	December 31, 2015
Current assets	$ 74,842	$ 67,519
Current liabilities excluding loans and borrowings[(1)]	29,379	32,443
Current portion of loans and borrowings	-	-
Current liabilities	$ 29,379	$ 32,443
Working capital[(2)]	$ 45,463	$ 35,076
Bank borrowing:		
Available credit facility	$ 200,000	$ 200,000
Drawings on credit facility	73,044	57,527
Borrowing capacity[(3)]	$ 126,956	$ 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 September 30, 2016 was $45.5 million compared to $35.1 million at December 31, 2015, an increase of $10.4 million. The increase in working capital was primarily due to an increase in accounts receivable of which $1.5 million is related to income taxes receivable, and $6.7 million is associated with the insurance claim for the loss of the Blacksand Executive Lodge.

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 September 30, 2016, the Corporation was in compliance with all financial and non-financial covenants as shown below:

Debt Covenants	Covenants September 30, 2016
Maximum Consolidated Senior debt (1) to Consolidated EBITDAS ratio (3)(4) (must be 3.00:1.00 or less)	1.97:1.00
Maximum Consolidated Total debt (2) to Consolidated EBITDAS ratio (3)(5) (must be 4.25:1.00 or less)	1.97:1.00
Minimum Consolidated Interest coverage ratio(6) (must be 3.00:1.00 or more)	17.1:1.00

(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 International Financial Reporting Standards. 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 which includes Empire Camp Equipment Ltd. and Karoleena Inc.

(5) Total debt to EBITDAS is calculated as the ratio of total debt to trailing 12 months EBITDAS which includes Empire Camp Equipment Ltd. and Karoleena Inc.

(6) Interest coverage is calculated as the ratio of trailing 12 months EBITDAS, which includes Empire Camp Equipment Ltd. and Karoleena Inc., to 12 months trailing interest expense on loans and borrowings.

Capital Spending

For the three months ended September 30, 2016, capital spending was $4.7 million compared to $13.1 million in the same period of 2015 as a result of a focused and disciplined 2016 capital program. Capital spending in Q3 2016 was mainly focused on; fulfilling land improvement commitments related to the Kitimat, British Columbia property in preparation for future development and limited fleet equipment and camp setup costs.

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 months ended September 30, 2016 of $3.1 million compared to $11.8 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	September 2016
Revenue	$ 77,909	$ 52,509	$ 60,097		$ 190,515
EBITDAS	13,236	3,690	7,126		24,052
Operating earnings (loss)	179	(9,358)	(4,721)		(13,900)
Total loss	(256)	(7,982)	(4,863)		(13,101)
Total comprehensive loss	(325)	(7,984)	(4,860)		(13,169)
Earnings (loss) per share – basic	$ -	$ (0.06)	$ (0.04)		$ (0.10)
Earnings (loss) per share – diluted	$ -	$ (0.06)	$ (0.04)		$ (0.10)

	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 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 and decreased demand for Horizon North's products and services. 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, which 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 13% of total revenues compared to two major customers who generated 27% 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.

Merger and Acquisition Activity

Horizon North considers acquisitions of complementary businesses and assets a part of the Corporation's business strategy. Achieving the benefits of acquisitions depends in part on; the acquired assets performing as expected, successfully realizing synergies, retaining key employees and customer relationships and integrating operations in a timely and efficient manner. Such integration may require substantial management effort, time, resources and may divert management's focus. Any acquisition could have a material adverse effect on operating results, financial condition and the price of the Corporation's securities.

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.

Business Continuity, Disaster Recovery and Crisis Management

In the event of a serious incident, the inability to restore or replace critical capacity in a timely manner may impact Horizon North's business and operations. A serious event could therefore have a material adverse effect on Horizon North's business, results of operations and financial condition. In the event of a major disaster, Horizon North has in place business continuity arrangements, including disaster recovery plans and insurance coverage to minimize any losses.

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 September 30, 2016, Horizon North has updated its accounting policies to include a policy on business combinations, updated the share based compensation policy to include cash settled transactions and updated the policy for intangible assets. The detailed policies are provided in note 3 of the Condensed Consolidated Interim Financial Statements as at September 30, 2016.

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.

Purchase price equations

The acquired assets and assumed liabilities are generally recognized at fair value on the date the Corporation obtains control of a business. The measurement of each business combination is based on the information available on the acquisition date. The estimate of fair value of the acquired intangible assets (including goodwill), property, plant and equipment, other assets and the liabilities assumed are based on assumptions. The measurement is largely based on projected cash flows, discount rates and market conditions at the date of acquisition.

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)	September 30, 2016	December 31, 2015
Neither impaired nor past due	$ 19,311	$ 24,283
Outstanding 31-60 days	7,398	6,345
Outstanding 61-90 days	2,434	1,045
Outstanding more than 90 days	5,510	1,684
Total	34,653	33,357
Accrued revenue	9,135	8,332
Construction receivables	5,168	9,270
Other receivables	7,457	159
Allowance for doubtful accounts	(2,137)	(2,240)
Total trade and other receivables	$ 54,276	$ 48,878

In the three months ended September 30, 2016, the Corporation provided an allowance for $2.1 million of receivables aged greater than 90 days. As at November 1, 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 September 30, 2016, included in construction receivables were holdbacks of $33,000 (December 31, 2015 - $850,000). The total of construction receivables aged less than 90 days was 22% at September 30, 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:

	September 30, 2016		December 31, 2015	
	Trade and other payables(1)	Loans and borrowings(2)	Trade and other payables(1)	Loans and borrowings(2)
Year 1	$ 28,937	$ -	$ 31,611	$ -
Year 2	844	73,044	-	57,100
Year 3	2,325	-	3,136	427
Year 4	-	-	-	-
Year 5 and beyond	8,226	-	5,927	-
	$ 40,332	$ 73,044	$ 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 credit 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 September 30, 2016 by approximately $52,000 (September 30, 2015 - $64,000). 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 $499,000 for the three months ended September 30, 2016 (September 30, 2015 - $746,000). 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 144,622,006 voting common shares issued and outstand and outstanding exercisable options to purchase 8,520,737 shares for a total potential of 153,142,743 shares as at November 1, 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 ("DC&P") 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 September 30, 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 ("ICFR") 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 ICFR during the period ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect the Corporation's ICFR.

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

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

Non-GAAP measures

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

EBITDAS: Earnings before 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 September 30		Nine months ended September 30	
(000's)	2016	2015	2016	2015
Total (loss) profit	$ (4,863)	$ (170)	$ (13,101)	$ 4,154
Add:				
Share based compensation	173	355	804	1,381
Depreciation & amortization	11,734	13,661	36,543	40,414
(Gain) loss on disposal of property, plant and equipment	(60)	106	605	429
Finance costs	595	595	1,735	2,935
Earnings on equity investments	193	-	(204)	-
Income tax (recovery) expense	(646)	(112)	(2,330)	4,629
EBITDAS	$ 7,126	$ 14,435	$ 24,052	$ 53,942

Advisories

This Management's Discussion and Analysis, prepared as at November 1, 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 this MD&A constitute forward-looking statements or information ("forward-looking statements"). These statements relate to future events or future performance of Horizon North. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "should", "believe" and similar expressions are intended to identify forward-looking statements.

In particular, such forward-looking statements include:

- Under the heading "Outlook" the statements that:

  "Horizon North is encouraged by the modular construction contract awards in Q3, however, we continue to believe the next six to nine months will be challenging given the current economic environment and expect a period of relative commodity price stability will be required in order for capital investment to re-start. "

  "Transformational change to our business will continue to be a high priority, moving the Corporation towards two distinct business offerings; Modular Construction, consisting of residential, retail and commercial products and Industrial which represents the more traditional camps and catering and rentals products and services."

  "The strength of the Statement of Financial Position is a key priority for Horizon North and we will continue to closely manage debt levels and working capital. Our focus will be to maintain a manageable leverage position and balance cash outflow with cash inflow through reducing debt, minimizing working capital and minimal capital spending.";

- The payment of a dividend for the third quarter of 2016 at $0.02 per share and payable to shareholders of record at the close of business on December 30, 2016 to be paid on January 16, 2017;
- The maturity date of the credit facility; and
- The timing of cash outflows related to trade and other payables and loans and borrowings.

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 and 2017;
- operational results and capital spending;
- 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.