This Management's Discussion and Analysis ("MD&A"), prepared as at October 28, 2014, focuses on key statistics from the Condensed Consolidated Interim Financial Statements and pertains to known risks and uncertainties relating to the business carried on by Horizon North Logistics Inc. ("Horizon" or the "Corporation"). This discussion should not be considered all-inclusive, as it does not attempt to include changes that may occur in general economic, political and environmental conditions.

Third Quarter Highlights

- Camp rental and catering operations revenue grew by 6% in Q3 2014 compared to the same period of 2013 driven by stronger utilization with improved margins;
- Manufacturing sales revenues and margins in Q3 2014 were significantly lower compared to the same period of 2013, reflecting lower activity levels in the comparative periods;
- Matting revenues in Q3 2014 were similar to the same period of 2013 but with margins decreasing as a result of downward pressure on rental rates and upward cost pressure in mat manufacturing.

Third Quarter Financial Summary

	Three months ended September 30			Nine months ended September 30		
(000's except per share amounts)	2014	2013	% Change	2014	2013	% Change
Revenue	$ 121,895	$ 157,361	(23%)	$ 340,200	$ 445,746	(24%)
EBITDAS[(1)]	26,046	41,306	(37%)	65,092	110,647	(41%)
EBITDAS as a % of revenue	21%	26%		19%	25%	
Operating earnings	12,691	27,423	(54%)	25,992	64,898	(60%)
Operating earnings as a % of revenue	10%	17%		8%	15%	
Total profit	8,065	18,339	(56%)	16,463	44,971	(63%)
Total comprehensive income	8,178	18,643	(56%)	16,697	45,013	(63%)
Earnings per share						
Basic	$ 0.07	$ 0.17	(59%)	$ 0.15	$ 0.41	(63%)
Diluted	$ 0.07	$ 0.17	(59%)	$ 0.15	$ 0.41	(63%)
Total assets	534,776	470,049	14%	534,776	470,049	14%
Long-term loans and borrowings	146,433	69,770	110%	146,433	69,770	110%
Cash from operations	6,117	67,316	(91%)	39,515	96,643	(60%)
Capital spending						
Purchase of property, plant & equipment	20,817	15,679	33%	97,041	55,263	76%
Proceeds from disposals of property, plant & equipment	(3,619)	(6,667)	(46%)	(12,979)	(23,432)	(45%)
Net Capital spending	17,198	9,012	91%	84,062	31,831	164%
Debt to EBITDAS[(2)]	1.79:1	0.46:1	289%	1.79:1	0.46:1	289%
Debt to total capitalization ratio	0.34	0.19	79%	0.34	0.19	79%
Dividends declared	$ 8,825	$ 6,852	29%	$ 26,467	$ 20,498	29%
Dividends declared per share	$ 0.08	$ 0.06	33%	$ 0.08	$ 0.06	33%

(1) *Please refer to page 23 of the Management Discussion and Analysis for the definitions of Non-GAAP and additional GAAP measures* and reconciliation of *Net Earnings to EBITDAS.*

(2) *Please refer to page 14 of the Management Discussion and Analysis for the definitions of Debt to EBITDAS.*

Overview

Horizon's results for the three months ended September 30, 2014 (Q3 2014) were significantly lower than previous expectations, mainly a result of customer driven delays in initiating a large manufacturing project and lower than expected utilization of the drill camp fleet as activity levels did not ramp up as expected. Results for the nine months ended September 30, 2014 were lower compared to the same period of 2013 with lower manufacturing sales and matting results offsetting consistent year over year performance in the camp rental and catering operations.

Revenues from manufacturing sales were significantly lower in Q3 2014 compared to the same period of 2013 due to the timing of specific projects undertaken and a significant used camp sale that occurred in Q3 2013, with no similar sale in Q3 2014. A large oil sands project was initiated in the middle of Q3 2014 compared to a similar project in Q3 2013 which was in full execution mode throughout the entire quarter. Total direct hours (which include all direct hours in the manufacturing plants and installation hours on project sites) in Q3 2014 were 288,492 hours as compared to 335,000 hours in Q3 2013, a decrease of 46,508 hours or 14%. 63% of total direct hours in Q3 2014 were allocated to third party contracts as compared to 79% in the same period of 2013. The decrease in overall direct hours was a result of Horizon managing production capacity through reduced overtime and headcount to align with manufacturing visibility, while the allocation of hours between external and internal projects was a result of the specific opportunities available during the period. EBITDAS from manufacturing sales decreased significantly in Q3 2014 as compared to the same period of 2013 due to lower external sales volumes, the margins associated with the specific projects flowing through the manufacturing operations and lower efficiencies typically experienced during the initiation phase of a major project.

Revenues from camp rental and catering operations for Q3 2014 increased compared to the same period of 2013 as a result of stronger utilization of an expanded fleet. The number of rentable beds in the large camp fleet at the end of Q3 2014 was 8,030 as compared to 6,771 beds at the end of Q3 2013 with utilization for Q3 2014 of 62% as compared to 54% in the same period of 2013. EBITDAS in Q3 2014 increased compared to the same period of 2013 as a result of higher volumes combined with improved margins, with EBITDAS as a percentage of revenue of 26% in Q3 2014 as compared to 23% in the same period of 2013.

Matting revenues remained consistent in Q3 2014 compared to the same period of 2013 as activity levels were relatively similar. EBITDAS decreased in Q3 2014 compared to the same period of 2013 as a result of a more competitive pricing environment for access mat rentals and a higher proportion of third party access mats on rent which generate lower margins. In addition, mat sales margins have decreased due to higher costs of oak lumber used in the manufacturing process.

Operating earnings and earnings per share decreased in Q3 2014 as compared to the same period in 2013 driven primarily by lower EBITDAS.

Revenues from manufacturing sales were significantly lower in the nine months ended September 30, 2014 compared to the same period of 2013 due to the nature and timing of specific projects undertaken during the periods. Total direct hours (which include all direct hours in the manufacturing plants and installation hours on project sites) in the nine months ended September 30, 2014 were 826,833 hours as compared to 949,314 hours in the same period of 2013, a decrease of 122,481 hours or 13%. 51% of total direct hours in the nine months ended September 30, 2014 were allocated to third party contracts as compared to 76% in the same period of 2013. The decrease in overall direct hours was a result of Horizon managing production capacity through reduced overtime and headcount to align with manufacturing visibility, while the allocation of hours between external and internal projects was a result of the specific opportunities available during the period. EBITDAS from manufacturing sales decreased in the nine months ended September 30, 2014 as compared to the same period of 2013 due to lower external sales volumes and the margins associated with the specific projects flowing through the manufacturing operations including higher than anticipated costs in closing out a major oil sands project in the first half of 2014.

Revenues from camp rental and catering operations for the nine months ended September 30, 2014 were down slightly from the same period of 2013. Utilization and pricing related to the large camp fleet for the nine months ended September 30, 2014 was consistent with the same period of 2013, while the drill camp fleet experienced a combination of lower utilization and pricing. EBITDAS was lower for the nine months ended September 30, 2014 compared to the same period of 2013 as a result of lower revenues and margins during the first half of 2014, with EBITDAS as a percentage of revenue of 25% in the nine months ended September 30, 2014 as compared to 27% in the same period of 2013.

Matting revenues for the nine months ended September 30, 2014 increased slightly as compared to the same period of 2013, mainly related to increased mat sales year over year. EBITDAS decreased in the comparative periods as a result of a more competitive pricing environment for access mat rentals and a higher proportion of third party access mats on rent which generates lower margins. In addition, mat sales margins have decreased due to higher costs of oak lumber used in the manufacturing process.

Operating earnings and earnings per share decreased in the nine months ended September 30, 2014 as compared to the same period in 2013 driven primarily by lower EBITDAS.

Outlook

Q3 2014 was Horizon's strongest quarter of 2014 with improvements shown in the camp rental and catering operations and manufacturing sales operations. Consolidated revenues and EBITDAS improved significantly as compared to Q2 2014, with EBITDAS for Q4 2014 expected to be similar to Q3 2014 levels.

Manufacturing activities in Q4 2014 will focus mainly on executing the previously announced 1,250 bed oil sands project which will be in full production and installation mode through the end of 2014 and into the first half of 2015. Visibility of the manufacturing sales backlog for the latter half of 2015 remains unclear, however bidding activity continues to be reasonably strong. Horizon continues to focus on development of the market for modular construction of permanent facilities to solidify the demand for its manufacturing capacity from areas other than camp facility construction.

Camp rental and catering operations are expected to continue to improve in Q4 2014, lifted by the installation of a 400 bed oil sands operations camp for a new customer that began operating late in Q3 2014 and as the normal seasonal lift from winter based work is experienced.

Matting activities are expected to moderate somewhat in Q4 2014 as demand typically declines in the winter season. Focus continues on increasing the size of the mat rental fleet and displacing the use of third party matting over time.

Horizon's geographic base has expanded with 1,132 beds deployed on natural gas related projects as of September 30, 2014 as compared to 876 beds at this time last year. Horizon has acquired land positions in key development areas near proposed LNG project sites in British Columbia in order to be positioned to take advantage of opportunities in these areas.

Despite some recent turbulence, the underlying parts of Horizon's business remain stable with future revenues currently under contract of $272.0 million. Horizon continues to pursue bidding opportunities in the Alberta oil sands for both construction and operations project phases, natural gas and LNG related activities and infrastructure projects which will serve to expand this amount. Horizon's balance sheet position is expected to improve through the end of 2014 as the 2014 capital spending program is nearly complete. Cash flows for 2015 are anticipated to be sufficient to fund a lower capital spending program and stable dividend.

Dividend payment

Horizon North Logistics Inc. announced today that its Board of Directors has declared a dividend for the third quarter of 2014 at $0.08 per share. The dividend is payable to shareholders of record at the close of business on December 31, 2014 to be paid on January 9, 2015. The dividends are eligible dividends for Canadian tax purposes.

Third Quarter Financial Results

	Three months ended September 30, 2014				
(000's)	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	$ 102,278	$ 19,924	$ -	$ (307)	$ 121,895
Expenses					
Direct costs	76,681	14,479	(2)	(307)	90,851
Selling & administrative	1,806	454	2,738	-	4,998
EBITDAS	23,791	4,991	(2,736)	-	26,046
EBITDAS as a % of revenue	23%	25%	-	-	21%
Share based compensation	330	66	298	-	694
Depreciation & amortization	12,078	2,021	342	(48)	14,393
(Gain) on disposal of property, plant and equipment	(1,732)	-	-	-	(1,732)
Operating earnings (loss)	$ 13,115	$ 2,904	$ (3,376)	$ 48	$ 12,691
Finance costs					1,231
Income tax expense					3,395
Other comprehensive income					(113)
Total comprehensive income					$ 8,178
Earnings per share – basic					$ 0.07
– diluted					$ 0.07

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

Third Quarter Financial Results (continued)

	Nine months ended September 30, 2014				
(000's)	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	$ 288,721	$ 52,654	$ -	$ (1,175)	$ 340,200
Expenses					
Direct costs	220,327	40,355	-	(1,175)	259,507
Selling & administrative	5,151	856	9,594	-	15,601
EBITDAS	63,243	11,443	(9,594)	-	65,092
EBITDAS as a % of revenue	22%	22%	-	-	19%
Share based compensation	791	146	713	-	1,650
Depreciation & amortization	35,642	5,100	700	(145)	41,297
(Gain) loss on disposal of property, plant and equipment	(3,872)	25	-	-	(3,847)
Operating earnings (loss)	$ 30,682	$ 6,172	$ (11,007)	$ 145	$ 25,992
Finance costs					3,168
Income tax expense					6,361
Other comprehensive income					(234)
Total comprehensive income					$ 16,697
Earnings per share – basic					$ 0.15
– diluted					$ 0.15

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

Camps & Catering

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

	Three months ended September 30			Nine months ended September 30		
Revenues *(000's)*	2014	2013	% change	2014	2013	% change
Large Camp revenue	$ 46,766	$ 44,379	5%	$ 155,302	$ 156,685	(1%)
Drill Camp revenue	$ 3,831	$ 4,234	(10%)	$ 11,014	$ 16,535	(33%)
Catering only revenue	$ 3,748	$ 4,279	(12%)	$ 10,798	$ 14,327	(25%)
Camp rental and catering operations service related revenue	$ 7,426	$ 5,337	39%	$ 24,067	$ 15,135	59%
Total Camp rental and catering operations revenue	$ 61,771	$ 58,229	6%	$ 201,181	$ 202,682	(1%)
Manufacturing sales revenue	$ 36,846	$ 76,699	(52%)	$ 78,582	$ 187,708	(58%)
Relocatable structures revenue	$ 3,661	$ 2,980	23%	$ 8,958	$ 8,377	7%
Total revenue	$ 102,278	$ 137,908	(26%)	$ 288,721	$ 398,767	(28%)
EBITDAS	$ 23,791	$ 37,499	(37%)	$ 63,243	$ 105,072	(40%)
EBITDAS as a % of revenue	23%	27%		22%	26%	
Operating earnings	$ 13,115	$ 27,846	(53%)	$ 30,682	$ 68,366	(55%)

Revenues from the Camps & Catering segment for the three months ended September 30, 2014 were $102.3 million, a decrease of $35.6 million or 26% compared to the same period of 2013. EBITDAS for the three months ended September 30, 2014 were $23.8 million, a decrease of $13.7 million or 37% compared to the same period of 2013. The decrease in revenues and EBITDAS compared to Q3 2013 was due to lower manufacturing sales volumes. Manufacturing sales revenues were lower as a result of the timing of external sales projects undertaken in the comparative periods and a significant used equipment sale which occurred in Q3 2013 with no similar sale in Q3 2014.

Revenues from the Camps & Catering segment for the nine months ended September 30, 2014 were $288.7 million, a decrease of $110.0 million or 28% compared to the same period of 2013. EBITDAS for the nine months ended September 30, 2014 were $63.2 million, a decrease of $41.8 million or 40% compared to the same period of 2013. The decrease in revenues and EBITDAS was mainly related to manufacturing sales. Manufacturing sales revenues were lower as a result of timing of external projects undertaken in the comparative periods and a significant used equipment sale which occurred in 2013 with no similar sale in 2014. EBITDAS from manufacturing sales was negatively impacted by higher costs related to a project close out Q2 of 2014 and lower efficiencies during the initiation phase of a major project in Q3 2014.

Horizon's revenues in the Camps & Catering segment continue to be driven by Alberta oil sands activity with 50% of revenues for the nine months ended September 30, 2014 generated from oil sands related projects compared to 61% in the same period of 2013. The change is driven by the timing of manufacturing sales projects and opportunities undertaken through the last quarter of 2013 and the first nine months of 2014. Horizon has expanded its profile outside of the Alberta oil sands ending Q3 2014 with 16% of deployed rentable beds on natural gas projects compared to 14% at the end of Q3 2013.

Large Camps

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

Revenues *(000's)*	Three months ended September 30			Nine months ended September 30		
	2014	2013	% change	2014	2013	% change
Large Camp revenue	$ 46,766	$ 44,379	5%	$ 155,302	$ 156,685	(1%)
Bed rental days [(1)]	432,746	346,833	25%	1,230,818	1,211,245	(2%)
Revenue per bed rental day	$ 108	$ 128	(16%)	$ 126	$ 129	(3%)
RevPAAB [(2)]	$ 67	$ 69	(3%)	$ 78	$ 81	(4%)
Rentable beds	8,030	6,771	19%	8,030	6,771	19%
Average rentable beds [(3)]	7,636	6,981	9%	7,322	7,051	4%
Utilization [(4)]	62%	54%	15%	62%	63%	(2%)

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 September 30, 2014 increased by $2.4 million or 5% compared to the same period of 2013. Bed rental days increased by 25% compared to the same period of 2013, a result of more camps operating during the comparative periods and improved overall utilization on a larger fleet.

Revenue per bed rental day for the three months ended September 30, 2014 decreased by $20 or 16% as compared to the same period of 2013. This change reflects a shift in activity away from open camps towards dedicated camps experienced over the past few quarters. In a dedicated camp scenario, customers generally pay a flat rental rate for access to the entire camp and an additional charge for the catering and associated housekeeping services on an occupied room basis. In open camps, customers pay a single rate on an occupied bed basis which typically results in higher revenues per bed rental day.

On a revenue per average available rentable bed basis the comparative quarters were relatively consistent. This metric evaluates revenues over the number of average rentable beds available during the period, effectively normalizing for the inherent differences in utilization as calculated under a large camp versus an open camp scenario.

Revenues from large camp operations for the nine months ended September 30, 2014 were relatively consistent compared to the same period of 2013. Bed rental days increased by 2% compared to the same period of 2013, a result of more camps operating during the comparative periods with similar utilization on a slightly larger fleet.

Revenue per bed rental day for the nine months ended September 30, 2014 decreased by $3 or 2% as compared to the same period of 2013 as quarterly variations in utilization and the transition from open camps to dedicated camps essentially offset each other. Similarly, revenue per available rentable bed decreased slightly in the comparative periods.

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)*		2014		2013	% change		2014		2013	% change
Drill Camp revenue	$	3,831	$	4,234	(10%)	$	11,014	$	16,535	(33%)
Bed rental days [(1)]		23,439		23,884	(2%)		64,413		94,458	(32%)
Revenue per bed rental day	$	163	$	177	(8%)	$	171	$	175	2%
RevPAAB [(2)]	$	51	$	58	(12%)	$	46	$	69	(33%)
Number of rentable beds at period end		828		782	6%		828		782	6%
Average rentable beds available [(3)]		813		788	3%		831		881	(6%)
Utilization [(4)]		31%		33%	(6%)		28%		39%	(28%)

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 September 30, 2014 decreased by $0.4 million or 10% compared to the same period of 2013. Although activity levels remained consistent in the comparative quarters, the lower revenue was driven by competitive market conditions with downward pressure on pricing resulting in revenue per bed rental day of $163 in Q3 2014, a decrease of 8% compared to the same period of 2013. Revenue per average available rentable bed was 12% lower reflecting both slightly lower utilization and competitive pricing pressures noted above. This metric evaluates revenues over the number of average rentable beds available during the period. Revenues from drill camp operations for the nine months ended September 30, 2014 decreased by $5.5 million or 33% compared to the same period of 2013. The decrease was primarily related to the first half of 2014 where Horizon experienced lower activity levels compared to the same period of 2013. Revenue per available rentable bed was significantly lower reflecting both slightly lower pricing and lower utilization as noted. This metric evaluates revenues over the number of average rentable beds available during the period.

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)		2014		2013	% change		2014		2013	% change
Catering only revenue	$	3,748	$	4,279	(12%)	$	10,798	$	14,327	(25%)
Catering only days[(1)]		30,094		36,127	(17%)		83,948		137,878	(39%)
Revenue per catering only day	$	125	$	118	6%	$	129	$	104	(24%)

(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, 2014 decreased $0.5 million or 12% compared to same period of 2013. This decrease was mainly a result of lower volumes as the third quarter of 2013 had a large contract which was not operating in Q3 2014.

Revenues from the provision of catering and housekeeping services, with no associated bed rentals, for the nine months ended September 30, 2014 decreased $3.5 million or 25% compared to same period of 2013. This decrease is the cumulative effect of lower volumes experienced in catering only for customer owned drill camps through the first half of 2014, the third quarter of 2013 had a large contract which was not operating in Q3 2014.

Service

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

	Three months ended September 30					Nine months ended September 30				
(000's)		2014		2013	% change		2014		2013	% change
Camp and catering service revenue	$	7,426	$	5,337	39%	$	24,067	$	15,135	59%

Service revenues are related to the transportation, set-up and de-mobilization of camps for customers. Revenues for the three months ended September 30, 2014 increased $2.1 million or 39% compared to the same period in 2013. The increase was mainly due to the timing of specific service projects undertaken in the comparative periods, with a large camp mobilization occurring in the third quarter of 2014 and no similar sized projects in the same period of 2013.

Revenues for the nine months ended September 30, 2014 increased $8.9 million or 59% compared to the same period in 2013. The increase was mainly due to the timing of specific service projects undertaken in the comparative period, with several large camp mobilizations occurring throughout 2014 and fewer similar sized projects in the same period of 2013.

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 September 30					Nine months ended September 30				
(000's)		2014		2013	% change		2014		2013	% change
Manufacturing sales revenue	$	36,846	$	76,699	(52%)	$	78,582	$	187,708	(58%)

	Three months ended September 30				Nine months ended September 30			
	2014		2013		2014		2013	
Direct Hours	Hours	% of total hours	Hours	% of total hours	Hours	% of total hours	Hours	% of total hours
External hours	182,379	63%	266,069	79%	424,090	51%	718,309	76%
Internal hours	106,113	37%	68,931	21%	402,743	49%	231,005	24%
Total direct hours [(1)]	288,492	100%	335,000	100%	826,833	100%	949,314	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, 2014 were $36.8 million, a decrease of $39.9 million or 52% compared to the same period of 2013. The decrease was due to the timing of external sales projects in the comparative quarters. A large Alberta oil sands project was initiated in the middle of in Q3 2014 while a similar large project in the Alberta oil sands was in full execution for the entire third quarter of 2013. In addition, revenue in Q3 2013 included a $13.5 million used equipment sale with no associated direct hours, a similar sale did not occur in Q3 2014.

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, 2014 were 288,492 hours, a decrease of 46,508 hours or 14% compared to the same period of 2013. The decrease in direct hours was a result of Horizon managing production capacity through reduced overtime and headcount to align with manufacturing visibility. 63% of total direct hours were directed to external sales projects in Q3 2014 compared to 79% in the same period of 2013, a reflection of more hours dedicated to completing internal fleet requirements and installations to meet contracted requirements.

Revenues for the nine months ended September 30, 2014 were $78.6 million, a decrease of $109.1 million or 58% compared to the same period of 2013. The decrease was due to the timing of external sales projects in the comparative periods, and the focus on internal fleet production in the first half of 2014 to support expansion of the relocatable structures fleet and camp rental and catering projects announced earlier in 2014.

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, 2014 were 826,833 hours, a decrease of 122,481 hours or 13% compared to the same period of 2013. The decrease in direct hours was a result of Horizon managing production capacity through reduced overtime and headcount to align with manufacturing visibility. 51% of total direct hours were directed to external party sales in the first nine months of 2014 compared to 76% in the same period of 2013. The decrease is reflective of the focus on internal fleet requirements to meet contract commitments in the first half of 2014.

Relocatable Structures

Relocatable structures (formerly Space Rentals) revenues include the rental of relocatable structures and the associated transportation. Relocatable Structures include office units, lavatory units, mine dry units and associated equipment.

Revenues for the three months ended September 30, 2014 were $3.7 million, an increase of $0.7 million or 23% compared to the same period of 2013. The increase is primarily a result of the additions to the fleet in the first half of 2014, with many of the new units deployed in the third quarter of 2014. Utilization at the end of the third quarter of 2014 was 75% of 1,203 units compared to 89% of 910 units in the comparative quarter of 2013.

Revenues for the nine months ended September 30, 2014 were $9.0 million, an increase of $0.6 million or 7% compared to the same period of 2013. The increase is primarily a result of the additions to the fleet in the first half of 2014. Utilization for the first nine months of 2014 was 71% of 1,178 units compared to 87% of 828 units in 2013.

Direct costs

Direct costs for the three months ended September 30, 2014 were $76.7 million or 75% of revenues compared to $99.1 million or 72% of revenue for the same period of 2013. Direct costs are closely related to business volumes and revenue mix with the decrease primarily due to lower volumes in the manufacturing sales operations. As a percentage of revenue, direct costs increased primarily as a result of the nature and timing of projects flowing through the manufacturing sales operations. Typically manufacturing experiences higher costs in the initial manufacturing ramp-up and mobilization to site phase.

Direct costs for the nine months ended September 30, 2014 were $220.3 million or 76% of revenue compared to $289.4 million or 73% of revenue for the same period of 2013. Direct costs decreased primarily due to lower volumes in the manufacturing sales operations. As a percentage of revenue, direct costs increased as a result of the nature and timing of projects described above. In addition, during the first half of 2014 manufacturing sales operations experienced higher costs to close out several large projects, similar costs were not incurred in the same period of 2013.

Matting

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

	Three months ended September 30			Nine months ended September 30		
(000's except mat rental days and numbers of mats)	2014	2013	% change	2014	2013	% change
Access mat rental revenue[(1)]	$ 4,508	$ 4,850	(7%)	$ 10,518	$ 10,797	(3%)
Other mat and rental equipment revenue[(2)]	$ 678	$ 476	42%	$ 2,092	$ 2,105	(1%)
Total mat and rental equipment revenue	$ 5,186	$ 5,326	(3%)	$ 12,610	$ 12,902	(2%)
Mat sales revenue	4,758	3,911	22%	18,107	10,957	65%
Installation, transportation, service and other revenue	9,980	10,563	(6%)	21,937	27,129	(19%)
Total revenue	$ 19,924	$ 19,800	1%	$ 52,654	$ 50,988	3%
EBITDAS	$ 4,991	$ 6,590	(24%)	$ 11,443	$ 14,724	(22%)
EBITDAS as a % of revenue	25%	33%		22%	29%	
Operating earnings	$ 2,904	$ 4,268	(32%)	$ 6,172	$ 8,149	(24%)
Access mat rental days – owned mats[(3)]	1,271,836	1,512,190	(16%)	3,140,240	3,280,646	(4%)
Access mat rental days – third party mats[(4)]	800,114	537,193	49%	1,639,118	1,292,451	27%
Total access mat rental days	2,071,950	2,049,383	1%	4,779,358	4,573,097	5%
Average owned access mats in rental fleet[(5)]	20,257	19,845	2%	18,103	17,126	6%
Average sub rental access mats in rental fleet[(6)]	8,663	5,848	48%	5,949	4,718	26%
Owned access mats in rental fleet at quarter end[(7)]	20,497	19,630	4%	20,497	19,630	4%
Mats sold:						
New mats	5,789	4,401	32%	22,460	12,355	82%
Used Mats	596	1,510	(61%)	4,982	3,354	49%
Total mats sold	6,385	5,911	8%	27,442	15,709	75%

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

Revenues from the Matting segment for the three months ended September 30, 2014 were $19.9 million, consistent with the same period of 2013. EBITDAS for the three months ended September 30, 2014 were $5.0 million, a decrease of $1.6 million or 24% compared to the same period of 2013. Although total revenues were very similar in the comparative quarters the revenue mix was not the same and was the primary driver of the decrease in EBTIDAS.

Revenues from the Matting segment for the nine months ended September 30, 2014 were $52.7 million, an increase of $1.7 million or 3% compared to the same period of 2013. EBITDAS for the nine months ended September 30, 2014 were $11.4 million, a decrease of $3.3 million or 22% compared to the same period of 2013. The main drivers in 2014 for the decreased EBITDAS was the difference in the revenue mix, downward pressure on access mat rental rates and increases in lumber costs for mat manufacturing.

Mat and rental equipment revenue

Mat and equipment rental revenues for the three months ended September 30, 2014 decreased by $0.1 million or 3% compared to the same period of 2013, driven by lower access mat rental revenues. Revenue per mat rental day for the three months ended September 30, 2014 was $2.18, a decrease of $0.19 or 8% compared to the same period of 2013 as a result of a more competitive pricing environment in 2014 compared to the same period of 2013. Access mat rental days were slightly higher in the three months ended September 30, 2014 compared to the same period of 2013. Owned access mat utilization was 68% in the three months ended September 30, 2014 compared to 83% in the comparative quarter of 2013. The decrease in utilization was due to the mix of owned and third party access mats on rent in the comparative periods.

For the nine months ended September 30, 2014 mat and equipment rental revenues decreased by $0.3 million or 2% as compared to the same period of 2013, driven by lower access mat rental revenues. Revenue per access mat rental day was $2.20, a decrease of $0.16 or 7% compared to the same period of 2013 as a result of a more competitive pricing environment. Although total access mat rental days increased by 206,261 or 5% compared to the same period of 2013, utilization of the owned mat rental fleet decreased to 64% from 70% in the comparative periods. The lower utilization was a combination of the mix of owned and third party access mats on rent and the average fleet size in the comparative periods.

Mat sales revenue

Revenues from mat sales for the three months ended September 30, 2014 were $4.8 million, an increase of $0.8 million or 22% compared to the same period of 2013. The volume of mats sold is highly dependent on the timing of customers' projects and on project economics with 6,385 mats sold in the three months ended September 30, 2014, an increase of 474 mats or 8% compared to the same period of 2013. Revenues per mat sold were $745 for the third quarter of 2014, an increase of $83 or 13% compared to the same period of 2013. This increase is reflective of both the mix of new and used mats sold, as new mats typically have higher selling price than used mats, and increased pricing to offset increased input costs related to building mats.

Revenues from mat sales for the nine months ended September 30, 2014 were $18.1 million, an increase of $7.2 million or 65% compared to the same period of 2013. The increase was due mainly to several significant new and used mat sales in 2014 resulting in mat sales for the nine months ended September 30, 2014 of 27,442 mats, an increase of 11,733 mats or 75% compared to the same period of 2013. Revenues per mat sold were $660 for the nine months ended September 30, 2014, a decrease of $37 or 5% compared to the same period of 2013. The decrease in the revenue per mat sold was mainly a result of a more competitive pricing environment.

Installation, transportation, service, and other revenue

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

Revenues for the three months ended September 30, 2014 were $10.0 million, a decrease of $0.6 million or 6% compared to the same period in 2013. The decrease in revenue is primarily a result of a more competitive environment in the matting business, which has resulted in pricing pressure with respect to these services.

Revenues for the nine months ended September 30, 2014 were $21.9 million, a decrease of $5.2 million or 19% compared to the same period in 2013. The decrease in revenue is primarily a result of a more competitive environment in the matting business, which has resulted in pricing pressure with respect to these services.

Direct costs

Direct costs for the three months ended September 30, 2014 were $14.5 million or 73% of revenue compared to $12.7 million or 64% of revenue for the same period of 2013. Direct costs are driven by both the level and mix of business activity. The increase in overall direct costs was driven by both higher mat sales, which reflect the associated direct costs of mat manufacturing, and the increased number of third party mats on rent which have the associated rental costs.

Direct costs for the nine months ended September 30, 2014 were $40.4 million or 77% of revenue compared to $35.4 million or 70% of revenue for the same period of 2013. This increase in direct costs reflects the nine month effect of the factors discussed above.

Corporate

Corporate costs are the costs of the head office which include the President and Chief Executive Officer, Chief Financial Officer, Senior Vice President of Corporate Development and Planning, Vice President of Health, Safety, and Environment, Vice President of Aboriginal Relations, Corporate Secretary, corporate accounting staff, information technology, and associated costs of supporting a public company. Corporate costs for the three and nine months ended September 30, 2014 were $2.7 million, consistent with Q3 2013 and $9.6 million, an increase of $0.5 million or 5%, respectively compared to the same periods in 2013. Corporate costs as a percentage of total revenue for the three and nine months ended September 30, 2014 were 2% and 3% respectively compared to 2% in each of the comparative periods of 2013.

Other Items

Selling and administrative

Selling and administrative expenses for the three and nine months ended September 30, 2014 were $4.8 million, an increase of $0.2 million or 5%, and $15.4 million, an increase of $1.2 million or 9% compared to the same periods in 2013. As a percentage of revenue, selling and administrative expenses for the three and nine months ended September 30, 2014 were 4% and 5% compared to 3% in each of the comparative periods of 2013.

Depreciation and amortization

	Three months ended September 30			Nine months ended September 30		
(000's)	2014	2013	% change	2014	2013	% change
Depreciation of property, plant and equipment	$ 13,595	$ 12,329	10%	$ 38,860	$ 34,935	11%
Amortization of intangibles	798	2,051	(61%)	2,437	6,153	(60%)
Total depreciation and amortization	$ 14,393	$ 14,380	-	$ 41,297	$ 41,088	1%

Depreciation of property, plant and equipment increased $1.3 million in the three months ended September 30, 2014 as compared to the same period of 2013. The increase was mainly related to newly constructed camp assets and the associated camp setup costs added between September 30, 2013 and September 30, 2014. Amortization costs related to customer relationships decreased $1.3 million or 61% and $3.7 million or 60% as compared to the same periods of 2013. A portion of these assets have now been fully amortized with the remainder to be fully amortized by December 2014.

For the nine months ended September 30, 2014 depreciation increased $3.9 million compared to the same period of 2013. The increase was primarily related to the increase in camp assets discussed above.

Financing costs

Financing costs include interest on loans and borrowings and accretion of notes payable. For the three and nine months ended September 30, 2014 financing costs were $1.2 million, an increase of $0.4 million or 47% and $3.2 million, an increase of $0.1 million or 4% respectively compared to 2013. The increase in financing costs was mainly a result of higher average debt levels in the third quarter and first nine months of 2014 compared to the same periods of 2013. The effective interest rate on loans and borrowings for the three and nine months ended September 30, 2014 was 3.3%, slightly lower than the comparative period at 3.5%.

Income taxes

For the three and nine months ended September 30, 2014 income tax expense was $3.4 million, an effective tax rate of 30% and $6.4 million, an effective tax rate of 28% compared to $8.3 million, an effective tax rate of 31% and $16.9 million, an effective tax rate of 27% in the same periods of 2013. The increased tax rate in the current period is greater than the statutory rate as a result of the effect of prior period adjustments made in the respective periods.

Gain/Loss on disposal

For the three months ended September 30, 2014 Horizon recognized gains on disposal of $1.7 million compared to gains of $1.1 million in the third quarter of 2013. The majority of these gains came from disposal of the remaining camp assets and property related to the northern assets.

For the nine months ended September 30, 2014 gains on disposal of $3.8 million were primarily related to the disposal of camp assets and property related to the northern assets throughout the year. This compares to a loss on disposal of $3.0 million in the same period of 2013 which was the result of the disposal of undepreciated setup costs related to a large camp which was dismantled and sold.

Liquidity and Capital Resources

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

(000's)	September 30, 2014	December 31, 2013
Current assets	$ 128,998	$ 113,608
Current liabilities excluding loans and borrowings[(1)]	57,777	60,408
Current portion of loans and borrowings	1,479	1,496
Current liabilities	59,256	61,904
Working capital[(2)]	$ 69,742	$ 51,704
Bank borrowing:		
Available credit facility	$ 175,000	$ 150,000
Drawings on credit facility	139,151	70,756
Borrowing capacity[(3)]	$ 35,849	$ 79,244

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

Working capital at September 30, 2014 was $69.7 million compared to $51.7 million at December 31, 2014, an increase of $18.0 million. The increase in working capital was primarily due to higher accrued revenue in 2014, a result of project holdbacks related to the close out of a significant project in the second quarter of 2014.

On August 13, 2014, the Corporation's committed credit facility ("credit facility") was increased to $175,000,000 from $150,000,000. The credit facility is extendable annually at the Corporation's request and subject to lender approval. The credit facility is secured by a $300,000,000 first fixed and floating charge debenture over all assets of the Corporation and its wholly owned subsidiaries. Amounts drawn on the credit facility incur interest at bank prime rate plus 0.50% to 1.00% or the Bankers' Acceptance rate plus 1.50% to 2.00%. The credit facility has a standby fee ranging from 0.34% to 0.45%. 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 borrowed under the facility become due on October 26, 2016, the maturity date of the facility.

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

Debt Covenants	September 30, 2014
Debt [(1)] to EBITDAS [(2)(3)] – must be less than 2.0:1	1.79:1
Interest coverage[(4)] – must be greater than 3.0:1	22.8:1

(1) Debt is calculated as the sum of current and long-term portions of loans and borrowings less vehicle and equipment financing.
(2) *Please refer to page 22 of the Management Discussion and Analysis for the definitions of Non-GAAP and additional GAAP measures* and reconciliation of *Net Earnings to EBITDAS.*
(3) Debt to EBITDAS is calculated as the ratio of Debt to trailing 12 months EBITDAS.
(4) Interest coverage is calculated as the ratio of trailing 12 months EBITDAS to 12 months trailing interest expense on loans and borrowings.

Capital Spending

For the nine months ended September 30, 2014 capital spending was $97.0 million compared to $55.3 million in the same period of 2013 and was focused on camp rental fleet expansion and relocatable structures fleet. Capital spending decreased in the third quarter of 2014 compared to the half of 2014 as manufacturing began to build for third party sales. The capital spent in the third quarter was mainly completion of the expansion and replacement rental fleet and moderate maintenance capital.

Management evaluates and manages its capital spending plans taking into account proceeds from the sale of property, plant and equipment resulting in net capital spending for the nine months ended September 30, 2014 of $84.1 million compared to $31.8 million for the same period of 2013.

Quarterly Summary of Results

	Three months ended			Year to date
(000's except per share amounts)	March 2014	June 2014	September 2014	September 2014
Revenue	$ 122,211	$ 96,094	$ 121,895	$ 340,200
EBITDAS	23,550	15,496	26,046	65,092
Operating earnings	11,430	1,871	12,691	25,992
Total profit	7,718	680	8,065	16,463
Total comprehensive income	7,917	602	8,178	16,697
Earnings per share – basic	$ 0.07	$ 0.01	$ 0.07	$ 0.15
Earnings per share – diluted	$ 0.07	$ 0.01	$ 0.07	$ 0.15

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

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

Horizon is a service provider to the resource sector and its performance typically follows fluctuations in commodity pricing and activity levels in the sector. As well, Horizon's decisions on allocation of manufacturing resources and decisions on the relocation of camp and catering fleet can have an impact on performance. The allocation of manufacturing resources between external projects and internal fleet requirements can significantly affect the timing of revenues between the quarters; this was evident in the first half of 2014 with a significant portion of manufacturing resources allocated to internal fleet in order to execute announced projects. The movement and redeployment of camps impacts performance as well. When camps are relocated to new areas or new contracts there are typically several months of down time to complete the relocations. In addition, there has been downward pressure on pricing as a result of an increasingly competitive environment. Throughout the last nine quarters Horizon has continued to invest in fleet capital to remain competitive in the Alberta oil sands area and to expand in northeastern British Columbia to serve natural gas exploration and development activities.

Risks and Uncertainties

Volatility of Oil, Natural Gas and Mining Industry Conditions

The demand, pricing and terms for Horizon's Camps & Catering and Matting segments depend upon the level of industry activity for oil, natural gas and mineral exploration and development in the western Canadian provinces and northern territories. Industry conditions are influenced by numerous factors over which Horizon has no control, including: the level of oil and natural gas and mineral prices; expectations about future oil and natural gas and mineral prices; the cost of exploring for, producing and delivering oil and natural gas and minerals; the expected rates of declining current production; the discovery rates of new oil and natural gas and mineral reserves; available pipeline and other oil and natural gas transportation capacity; demand for oil, natural gas and minerals; worldwide weather conditions; global political, military, regulatory and economic conditions; and the ability of oil and natural gas and mining companies to raise equity capital or debt financing for exploration and development work.

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

Competition

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

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

Credit Risk

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

Additional Funding Requirements

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

Labour Relations

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

Agreements and Contracts

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

Significant Customers

The Corporation had one major customer in the nine months of 2014 that generated 12.6% of total revenues. This compares to one major customer who generated 26.7% of total revenue in the same period of 2013. There can be no assurance that Horizon's relationship with its customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, could have a material adverse effect on Horizon's business, financial condition and results of operations.

Reliance on Key Personnel

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

Camp Permits

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

Government Regulation

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

Environmental Regulation

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

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

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

Aboriginal Relationships

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

Seasonal Operations

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

Other Risks

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

Changes in Accounting Policies

The accounting policies and determination of fair values were set out in Note 3 and 4 of the Corporation's annual consolidated financial statements for the year ended December 31, 2013 and have been applied consistently to all periods presented in these condensed consolidated interim financial statements. As at January 1, 2014, the Company adopted the amendment to IAS 32-Financial Instruments: Presentation, as well as the interpretation of IFRIC 21 – Levies. The adoption of these standards did not have a material impact on the amounts recorded in the financial statements as at September 30, 2014.

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

Critical Accounting Estimates

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

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

Revenue recognition

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

Asset Retirement Obligations

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

Financial Instruments and Risk Management

(a) Overview

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

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

(b) Credit risk

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

The Corporation constantly monitors individual customer trade receivables 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, 2014	December 31, 2013
Neither impaired nor past due	$ 34,071	$ 29,370
Impaired	328	65
Outstanding 31-60 days	16,992	15,826
Outstanding 61-90 days	1,856	4,001
Outstanding more than 90 days	4,920	2,073
Total	58,149	51,335
Allowance for doubtful accounts	(328)	(65)
Accrued revenue	48,410	38,659
Other receivables	2,049	927
Total trade and other receivables	$ 108,280	$ 90,856

The Corporation reviewed the trade receivable and accrued revenue balances as at September 30, 2014 and determined an allowance of $328,000 was appropriate. As at October 28, 2014, the Corporation has collected $1,008,000 on amounts outstanding more than 90 days.

(c) Liquidity risk

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

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

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

	September 30, 2014		December 31, 2013	
	Trade and other payables(1)	Loans and borrowings(2)	Trade and other payables(1)	Loans and borrowings(2)
Year 1	$ 55,490	$ 1,479	$ 56,961	$ 1,496
Year 2	-	1,000	-	7,500
Year 3	-	145,433	-	70,756
Year 4	-	-	-	-
Year 5 and beyond	5,830	-	5,656	-
	$ 61,320	$ 147,912	$ 62,617	$ 79,752

(1) Trade and other payables include trade and other payables, income taxes payable, and provisions.

(2) Loans and borrowings include non-interest bearing notes payable and Horizon's senior secured revolving term facility. Cash flows of Horizon's note payable have been recorded according to estimated utilization of specific equipment.

(d) Market risk

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

(i) Foreign currency exchange risk

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

As the foreign currency exchange risks are primarily based on realized foreign exchange differences, the following sensitivity analysis is to determine the impact on cash generated in operating activities. The effect of a $0.01 increase in the USD/CAD exchange rate would decrease cash generated in operating activities for the nine months ended September 30, 2014 by approximately $87,000 (September 30, 2013 - $153,000). This assumes that the quantity of USD purchases and the foreign operations in the year remain unchanged and that the change in the USD/CAD exchange rate is effective from the beginning of the year.

(ii) Interest rate risk

The Corporation is exposed to interest rate risk as changes in interest rates may affect interest expense and future cash flows. The primary exposure is related to the Corporation's revolving credit facility which bears interest at a rate of prime plus 1.00%. If prime were to have increased by 1.00%, it is estimated that the Corporation's net earnings would have decreased by approximately $875,800 for the nine months ended September 30, 2014 (September 30, 2013 – $784,000). This assumes that the amount and mix of fixed and floating rate debt in the three and nine months ended September 30, 2014 remains unchanged and that the change in interest rates is effective from the beginning of the year.

Outstanding Shares

Horizon had 110,313,317 voting common shares issued and outstanding options of 5,683,206 for a total maximum number of 115,996,523 shares as at October 27, 2014.

Off Balance Sheet Financing

Horizon has no off balance sheet financing.

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

Disclosure Controls & Procedures

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

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

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

Internal Controls over Financial Reporting

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

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

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

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

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

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

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

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

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

Advisories

This Management's Discussion and Analysis, prepared as at October 28, 2014 focuses on key statistics from the Condensed Consolidated Interim Financial Statements and pertains to known risks and uncertainties relating to the business carried on by Horizon North Logistics Inc. (the "Corporation" or "Horizon"). This discussion should not be considered all-inclusive, as it does not attempt to include changes that may occur in general economic, political and environmental conditions. Additional information related to the Corporation, including the Corporation's annual information form, is available on SEDAR at www.sedar.com. Unless otherwise indicated, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and the reporting currency is in Canadian dollars.

Non-GAAP and additional GAAP measures

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

EBITDAS: Earnings before finance costs, taxes, depreciation, amortization, gain/loss on disposal of property, plant and equipment and share based compensation ("EBITDAS"). Management believes that in addition to total profit and total comprehensive income, EBITDAS is a useful supplemental measure as it provides an indication of the Corporation's ability to generate cash flow in order to fund working capital, service debt, pay current income taxes and fund capital programs, and it is regularly provided to and reviewed by the Chief Operating Decision Maker.

Debt to total capitalization: Calculated as the ratio of debt to total capitalization. Debt is defined as the sum of current and long-term portions of loans and borrowings. Total capitalization is calculated as the sum of debt and shareholders' equity.

Reconciliation of non-GAAP and additional GAAP measures

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

a) EBITDAS

	Three months ended September 30		Nine months ended September 30	
(000's)	2014	2013	2014	2013
Total profit	$ 8,065	$ 18,339	$ 16,463	$ 44,971
Add:				
Finance costs	1,231	840	3,168	3,036
Income tax expense	3,395	8,253	6,361	16,891
Depreciation	13,595	12,329	38,860	34,935
Amortization of intangible assets	798	2,051	2,437	6,153
(Gain) loss on disposal of property, plant and equipment	(1,732)	(1,061)	(3,847)	3,025
Share based compensation	694	555	1,650	1,636
EBITDAS	$ 26,046	$ 41,306	$ 65,092	$ 110,647

Caution Regarding Forward-Looking Information and Statements

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

In particular, such forward-looking statements include, under the heading "Outlook" the statements that:

"Consolidated revenues and EBITDAS improved significantly as compared to Q2 2014, with EBITDAS for Q4 2014 expected to be similar to Q3 2014 levels."

"Manufacturing activities in Q4 2014 will focus mainly on executing the previously announced 1,250 bed oil sands project which will be in full production and installation mode through the end of 2014 and into the first half of 2014. Visibility of the manufacturing sales backlog for the latter half of 2014 remains unclear, however, bidding activity continues to be reasonably strong. Horizon continues to focus on development of the market for modular construction of permanent facilities to solidify the demand for its manufacturing capacity from areas other than camp facility construction." and

Camp rental and catering operations are expected to continue to improve in Q4 2014, lifted by the installation of a 400 bed oil sands operations camp for a new customer that began operating late in Q3 2014 and improved utilization of several open camp facilities that experienced low utilization through the first half of 2014. Horizon anticipates activity levels will continue to build through the end of the year and into the first quarter of 2015 as the normal seasonal lift from winter based work is experienced in Q1 2015."

The foregoing statements are based on the assumption that the contracts entered into at this time with respect to such activities will not be amended or terminated and that oil sands development in Alberta and other resource development in western Canada will strengthen.

Another forward-looking statement in the "Outlook" sections was "Matting activities are expected to moderate somewhat in Q4 2014 as demand typically declines in the winter season. Focus continues on increasing the size of the mat rental fleet and displacing the use of third party matting over time." That statement is based on the assumption that matting revenues will decline based on weather related seasonal demand for this product and services.

Many factors could cause the performance or achievements of Horizon to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. These include, but are not limited to general economic, market and business conditions.

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