Annual Report 2016

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Information on Annual and Special Meeting

The Annual and Special Meeting of holders of common shares of Horizon North Logistics Inc. will be held on the 4th day of May 2017 at 3:00 p.m. (local time) in the Devonian Room of the Calgary Petroleum Club, 319 – 5th Avenue SW, Calgary, Alberta.

Shareholders are encouraged to attend and those unable to do so are requested to complete and submit the Instrument of Proxy at their earliest convenience.

President's Letter to Shareholders

Dear Shareholders,

Serving as President and CEO of Horizon North it is my privilege to be able to write this letter to you. 2016 was a challenging year for a number of companies, similar to ours, who provide a product and service offering to customers across the Western Canadian resource industry.

Instead of taking the time to discuss all of the headwinds we faced during the past year—the impact of low commodity prices, atrophied capital spending profile, uncertainty associated with change in fiscal policy at provincial and federal levels, suffering and the devastation caused by the Fort McMurray fires, the impact of change in U.S. Government—I understand your interest in Horizon North is borne out of Management's belief in the direction our firm is heading not the challenges it has faced.

Our journey of transformational change continues to be supported by the bedrock of 1100 Horizon North employees **who believe**.

- **We Believe** in understanding our customers, who they are, what they need from us and provide them with exceptional value and support. We will be innovative in anticipating our customer's needs and service these needs with a highly specialized team of solution oriented experts who are humble, relationship driven, agile and highly efficient;
- **We Believe** in providing a safe environment for our employees to work. Our Total Recordable Incident Rate for 2016 was 0.52 and we are winners of multiple safest employer awards;
- **We Believe** in a strong community partnership with our Aboriginal peoples—we have 17 partnerships across Western and Northern Canada and proudly employ 12 percent of our workforce who self-identify as being of Aboriginal decent;
- **We Believe** that technology has a role to play in providing our customers and guests with an exceptional experience that is faster, cheaper and better;
- **We Believe** that workers are entitled to quality accommodations in appropriate geographies at the right price, while respecting the communities that offset our facilities;
- **We Believe** our commercial, government and residential customers deserve a better way to build space—Modular Construction—provided on time, on budget in a climate controlled, safety conscious environment with quality standards set by world class organizations;
- **We Believe** that environmentally benign ways of generating power for remote applications makes good business sense reflecting our push for remote power to be generated using solar and compressed natural gas;
- **We Believe** that access to remote resource development should be done with low environmental footprint, utilizing long lasting product like oak matting and environmentally responsible stabilization solutions;
- **We Believe** that employees deserve a competitive wage and benefit plan and invest the requisite time on innovative human resource strategies to maintain that accuracy.

We Believe we are building a better Horizon North for all stakeholders. Thank you for your support as we continue along our transformational journey.

Rod Graham,
President, CEO and Director

This Management's Discussion and Analysis ("MD&A"), prepared as at March 1, 2017 focuses on key statistics from the Consolidated Financial Statements and pertains to known risks and uncertainties relating to the business carried on by Horizon North Logistics Inc. ("Horizon North" or the "Corporation"). This discussion should not be considered all-inclusive, as it does not attempt to include changes that may occur in general economic, political and environmental conditions.

Annual Key Comments

- Horizon North successfully completed two strategic acquisitions in 2016, Karoleena Inc. ("Karoleena") and Empire Camp Equipment Ltd. ("Empire Camps");
- In May 2016, the Fort McMurray wildfires destroyed Horizon North's Blacksand Executive Lodge. Since the loss, Horizon North has worked closely with its insurers and advisors to achieve a final settlement of $34.1 million on February 28, 2017. To date $25.0 million of advanced payments have been received with the final payment anticipated by the end of Q1 2017 to be used primarily to reduce long term debt;
- Horizon North was awarded several modular construction projects in Q3 2016, including an 85 room hotel in Revelstoke, British Columbia and an affordable housing project in Vancouver, British Columbia;
- Demand for Horizon North's products and services, compared to 2015, remained soft as a result of "lower for longer" commodity prices. Horizon North's customers continued to actively reduce costs through deferral of plant maintenance projects and limiting capital budgets; and
- 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.

Annual Financial Summary

	Years ended December 31				
(000's except per share amounts)	2016	% change	2015	% change	2014
Revenue	$ 250,935	(32)	$ 369,889	(22)	$ 476,060
EBITDAS[(1)]	28,661	(54)	62,460	(33)	92,866
EBITDAS as a % of revenue	11%		17%		20%
Operating (loss) earnings	(22,204)	(565)	4,778	(87)	37,502
Operating (loss) earnings as a % of revenue	(9%)		1%		8%
Total (loss) profit	(20,316)	2,342	(832)	(104)	23,646
Total comprehensive (loss) income	(20,383)	2,530	(775)	(103)	24,026
Earnings (loss) per share					
Basic	$ (0.15)	1,400	$ (0.01)	(105)	$ 0.21
Diluted	$ (0.15)	1,400	$ (0.01)	(105)	$ 0.21
Total assets	$ 485,101	3	$ 469,504	(13)	$ 539,978
Long-term loans and borrowings	75,268	31	57,527	(61)	146,370
Funds from operations	27,793	(53)	59,148	(35)	90,870
Capital spending					
Purchase of property, plant & equipment	30,273	(44)	54,443	(52)	114,581
Proceeds from disposals of property, plant & equipment	(11,581)	18	(9,800)	(34)	(14,946)
Net Capital spending	18,692	(58)	44,643	(55)	99,635
Senior debt to EBITDAS[(2)]	2.46:1.00		0.92:1.00		1.63:1.00
Total debt to EBITDAS[(2)]	2.46:1.00		0.92:1.00		1.66:1.00
Debt to total capitalization ratio	0.19:1.00		0.15:1.00		0.35:1.00
Dividends declared	$ 11,112	(67)	$ 33,641	(5)	$ 35,307
Dividends declared per share	$ 0.08	(71)	$ 0.28	(13)	$ 0.32

(1) Please refer to page 26 of the Management's Discussion and Analysis for the definitions of Non-GAAP and additional GAAP measures and reconciliation of *Net Earnings to EBITDAS.*
(2) Please refer to page 17 of the Management's Discussion and Analysis for the definitions of Debt to EBITDAS.

Annual Overview

Results for the year ended December 31, 2016 ("2016") were below the comparative year ended December 31, 2015 ("2015", "comparative year"). Throughout 2016, Horizon North experienced significantly softer demand across all its operations as customers cut costs by deferring plant maintenance programs and reduced capital budgets responding to "lower for longer" commodity prices. As Horizon North's customers reined in spending through the reduction of capital budgets and deferred plant maintenance, opportunities to replace expiring contracts and grow the revenue backlog were significantly limited. Additions to the backlog were typically won with very aggressive pricing and reduced margins.

The Empire Camps acquisition partially offset the contracts which expired or ramped down throughout 2016 and added several significant contracts with customers new to Horizon North. The acquisition also added 1,700 beds to the rental fleet, replacing the 665 Blacksand Executive Lodge beds lost in the Fort McMurray wildfire.

Revenues from camp rental and catering operations for 2016 decreased compared to the same period of 2015 as a result of generally lower demand. The lower volumes were attributable to: significant contracts which expired or ramped down during 2016 as the associated projects completed, lower demand for base and line incident camps associated with fire suppression efforts, and the record high seasonal activity in the first quarter of 2015 which was not repeated in 2016. Given the poor economic environment, there were fewer opportunities to replace the backlog and those were typically limited in scope and at reduced margins. The lower demand resulted in revenue per average available bed ("RevPAAB") and utilization of $46 and 53% respectively, down from $64 and 60% in 2015. The rentable bed fleet at the close of 2016 was 9,339 beds, consistent with 2015 as a result of the Empire Camps acquisition which offset the loss of Blacksand Executive Lodge and equipment sales throughout 2016.

Manufacturing revenues for 2016 were below the comparative year as a result of a limited number of projects with reduced scope and contract value. The first half of 2015 was focused on the completion of two significant projects which drove the majority of revenue, an oil sands camp installation project and a mining project in the Northwest Territories. Total direct hours, which include all direct hours in the manufacturing plants and associated installation hours on project sites, were down 86% compared to 2015 with 39% of total direct hours allocated to third party contracts compared to 62% in the same period of 2015. The reduction in hours was a result of management aligning headcount to the volume of projects through headcount reductions and the government of British Columbia work share program.

Revenues from the Rentals and Logistics segment decreased compared to 2015. Lower revenue was a result of reduced demand for rental equipment, combined with downward pressure on pricing. Utilization and pricing of the mat rental fleet was 49% and $1.07 per mat rental day respectively, compared to 58% and $1.47 in 2015. The mat rental fleet closed 2016 at 29,834 mats, an increase of 4% compared to 2015, as the growth came late in 2016 to meet a surge of activity in Q4 2016. Demand for the space rental units and ancillary equipment in 2016 decreased, compared to 2015, with utilization of 38% compared to 59% in 2015. The fleet exited 2016 with 1,207 units, a decrease of 15% compared to 2015, as a result of equipment sales throughout 2016.

Horizon North's EBITDAS in 2016 decreased compared to 2015 mainly as a result of the significantly lower activity levels and the downward pressure on pricing compared to 2015. Operating loss and loss per share for 2016 increased compared to the same period of 2015 due to the reduced revenues and EBITDAS discussed above. Depreciation and amortization for 2016 decreased as camp setup costs became fully depreciated throughout the year and the disposal 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 $75.3 million at the end of 2016 compared to $57.5 million at December 31, 2015 mainly due to timing between the Empire Camps acquisition and settlement of insurance claims related to the loss of the Blacksand Executive Lodge. As a result of the increased debt and lower EBITDAS, the Debt to EBITDAS ratio was 2.46:1.00 compared to 0.92:1.00 at December 31, 2015.

Outlook

Horizon North is continuing the journey of transformational change, moving towards two distinct operation pillars – Industrial Services and Modular Construction. The Corporation expects to update its public reporting to reflect the effects of these changes in early 2017.

The Industrial Services pillar incorporates catering and camp management services, access matting, space rentals, and transportation and installation services serving our traditional end markets. Horizon North's outlook for these operations in 2017 is for a moderate strengthening of activity levels as compared to 2016. Although commodity prices have recently shown some stability, with oil settling in the low $50/bbl range, Horizon North does not anticipate relief from the continued downward pressure on pricing or see the impact from customers' increasing capital budgets in the short term. We expect the second half of 2017 to gain some momentum, assuming commodity price stability continues and customers increase their activity levels.

The Modular Construction pillar will continue to focus on the supply of permanent modular structures serving both commercial and residential end markets across Canada. Projects started in the last quarter of 2016 will continue through the first half of 2017, and a large opportunity funnel and strong bidding activity is anticipated to generate a more robust backlog in the second half of 2017. Horizon North will continue to focus on developing and refining its Modular Construction operations, further enhancing the product quality and efficient project execution. To facilitate this commitment, Horizon North has recently added a senior resource to support project management and execution enabling the Vice President of Manufacturing to focus on Lean manufacturing initiatives and product development opportunities.

In May 2016, the Fort McMurray wildfires destroyed Horizon North's Blacksand Executive Lodge. Since the loss, Horizon North has worked closely with its insurers and advisors to achieve a final settlement of $34.1 million on February 28, 2017. To date $25.0 million of advanced payments have been received with the final payment anticipated by the end of Q1 2017 to be used primarily to reduce long term debt.

The strength of the Statement of Financial Position was a priority for Horizon North throughout 2016, and will continue to be a focus for 2017. Cost reduction measures which began in 2016, such as Lean initiatives across our industrial operations and the centralization of certain general and administrative functions will continue to drive improved cash flow through efficiencies. In addition to a limited and tightly managed capital program, 2017 will assess Horizon North's portfolio of assets to ensure a focus on core business lines. This combination of actions will help ensure the continued strength with respect to the financial position of Horizon North.

Dividend Payment

Horizon North announced today that its Board of Directors has declared a dividend for the first quarter of 2017 at $0.02 per share. The dividend is payable to shareholders of record at the close of business on March 31, 2017 to be paid on April 13, 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.

Annual Financial Results

	Years ended December 31, 2016				
(000's)	Camps & Catering	Rentals & Logistics	Corporate	Inter-segment Eliminations	Total
Revenue	$ 212,618	$ 38,317	$ -	$ -	$ 250,935
Expenses					
Direct costs	177,854	26,663	(377)	-	204,140
Selling & administrative	3,942	2,298	11,894	-	18,134
EBITDAS	$ 30,822	$ 9,356	$ (11,517)	$ -	$ 28,661
EBITDAS as a % of revenue	14%	24%	-	-	11%
Share based compensation	525	165	961	-	1,651
Depreciation & amortization	37,920	11,083	915	(78)	49,840
Impairment loss	-	-	-	-	-
Loss (gain) on disposal of property, plant and equipment	(350)	(199)	(19)	(58)	(626)
Operating (loss) earnings	$ (7,273)	$ (1,693)	$ (13,374)	$ 136	$ (22,204)
Finance costs					2,407
Earnings on equity Investments					(126)
Income tax recovery					(4,169)
Total loss					$ (20,316)
Other comprehensive loss					67
Total comprehensive loss					$ (20,383)
Loss per share – basic					(0.15)
– diluted					$ (0.15)

	Years ended December 31, 2015				
(000's)	Camps & Catering	Rentals & Logistics	Corporate	Inter-segment Eliminations	Total
Revenue	$ 314,536	$ 56,594	$ -	$ (1,241)	$ 369,889
Expenses					
Direct costs	247,533	38,001	(15)	(1,241)	284,278
Selling & administrative	6,751	3,418	12,982	-	23,151
EBITDAS	$ 60,252	$ 15,175	$ (12,967)	$ -	$ 62,460
EBITDAS as a % of revenue	19%	27%	-	-	17%
Share based compensation	760	211	746	-	1,717
Depreciation & amortization	38,717	14,449	931	(133)	53,964
Impairment loss	1,664	-	-	-	1,664
Loss (gain) on disposal of property, plant and equipment	544	(207)	-	-	337
Operating (loss) earnings	$ 18,567	$ 722	$ (14,644)	$ 133	$ 4,778
Finance costs					3,491
Earnings on equity Investments					(347)
Income tax expense					2,466
Total loss					$ (832)
Other comprehensive income					(57)
Total comprehensive loss					$ (775)
Loss per share – basic					$ (0.01)
– diluted					$ (0.01)

Fourth Quarter Key Comments

- Manufacturing sales delivered and showcased an affordable housing project in Vancouver, British Columbia;
- In May 2016, the Fort McMurray wildfires destroyed Horizon North's Blacksand Executive Lodge. Since the loss, Horizon North has worked closely with its insurers and advisors to achieve a final settlement of $34.1 million on February 28, 2017. To date $25.0 million of advanced payments have been received with the final payment anticipated by the end of Q1 2017 to be used primarily to reduce long term debt;
- Results for Q4 2016 were below Q4 2015 primarily due to lower volumes in the camp rental and catering operations as a result of delayed construction projects due to wet ground conditions in the Fort McMurray and Grande Prairie areas; and
- The matting operations experienced a surge in rental volumes and used mat sales as customers expended remaining capital budgets.

Fourth Quarter Financial Summary

	Three months ended December 31		
(000's except per share amounts)	2016	2015	% change
Revenue	$ 60,420	$ 68,722	(12)
EBITDAS[(1)]	4,609	8,518	(46)
EBITDAS as a % of revenue	8%	12%	
Operating loss	(8,304)	(6,940)	20
Operating loss as a % of revenue	(14%)	(10%)	
Total loss	(7,215)	(4,986)	45
Total comprehensive loss	(7,214)	(4,894)	47
Loss per share			
Basic	$ (0.05)	$ (0.04)	25
Diluted	$ (0.05)	$ (0.04)	25
Total assets	$ 485,101	$ 469,504	3
Long-term loans and borrowings	75,268	57,527	31
Funds from operations	3,680	7,664	(52)
Capital spending			
Purchase of property, plant & equipment	12,413	13,207	(6)
Proceeds from disposals of property, plant & equipment	(4,758)	(2,348)	103
Net Capital spending	7,655	10,859	(30)
Senior debt to EBITDAS[(2)]	2.46:1.00	0.92:1.00	
Total debt to EBITDAS[(2)]	2.46:1.00	0.92:1.00	
Debt to total capitalization ratio	0.19:1.00	0.15:1.00	
Dividends declared	$ 2,893	$ 5,304	(45)
Dividends declared per share	$ 0.02	$ 0.04	(50)

(1) Please refer to page 26 of the Management's Discussion and Analysis for the definitions of Non-GAAP and additional GAAP measures and reconciliation of *Net Earnings to EBITDAS.*
(2) Please refer to page 17 of the Management's Discussion and Analysis for the definitions of Debt to EBITDAS.

Fourth Quarter Overview

Results for the three months ended December 31, 2016 ("Q4 2016") decreased across all financial measures, compared to the three months ended December 31, 2015 ("Q4 2015"), primarily due to lower activity levels in the camp rental and catering operations. Lower volumes in Q4 2016 were partially due to very wet ground conditions in the Fort McMurray and Grande Prairie areas causing several pipeline construction projects to be delayed until 2017. In addition, Q4 2016 had fewer contracts than the same period of 2015 as a result of several significant contracts either expiring or ramping down throughout 2016 as the associated projects completed. Partially offsetting this decrease, Manufacturing sales revenues exceeded Q4 2015 revenues mainly as a result of two larger projects, an 85 room hotel in Revelstoke and an affordable housing project in Vancouver, British Columbia, compared to fewer and smaller scope projects in the same period of 2015. Rentals and Logistics revenues were consistent between the comparative quarters with lower rental revenues being offset by a surge in used mat sales as customers expended their remaining 2016 capital budgets.

Revenues from camp rental and catering operations for Q4 2016 decreased compared to Q4 2015 as a result of generally lower activity levels attributable to the wet ground conditions and contracts which expired or ramped down during the year as the associated projects completed. 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 $32 and 45% respectively, down from $50 and 56% in Q4 2015. The rentable bed fleet closed Q4 2016 at 9,339, essentially unchanged from December 31, 2015.

Manufacturing revenues for Q4 2016 were above Q4 2015 as a result of the production and installation of two projects, the 85 room hotel in Revelstoke and an affordable housing project in Vancouver, British Columbia. Q4 2016 included the Karoleena operations which had two projects with the associated installation activity. Total direct hours, which include all direct hours in the manufacturing plants and associated installation hours on project sites, for Q4 2016 were down 65% compared to Q4 2015 with 91% of total direct hours allocated to third party contracts compared to 39% in Q4 2015. The majority of the decrease in hours was related to Q4 2015 fleet additions compared to very limited fleet additions in Q4 2016.

Revenues from the Rentals and Logistics segment for Q4 2016 were consistent with Q4 2015. Wet conditions in the Fort McMurray and Grande Prairie areas drove higher demand for mat rentals with mat rental days 30% higher and utilization 50% higher than Q4 2015. However, the higher activity was more than offset by lower revenue per mat rental day which declined by 36% to $0.86 per day. Revenues from the space rental units in Q4 2016 decreased as a result of lower utilization which was 32% below Q4 2015. Offsetting the lower rental revenues was a surge in used mat sales which jumped by 143% as a result of matting customers expending their remaining 2016 capital.

Horizon North's EBITDAS in Q4 2016 decreased compared to Q4 2015 mainly as a result of the significantly lower activity levels and the downward pressure on pricing compared to Q4 2015. Operating loss and loss per share for Q4 2016 increased compared to Q4 2015 due to the reduced revenues and EBITDAS discussed above. Depreciation and amortization for Q4 2016 decreased compared to Q4 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 $75.3 million at December 31, 2016 compared to $57.5 million at December 31, 2015. The increase was due to timing between the Empire Camps acquisition and settlement of insurance claims related to the loss of the Blacksand Executive Lodge and the lower EBITDAS in 2016. As a result of the increased debt and lower EBITDAS, the Debt to EBITDAS ratio was 2.46:1.00 compared to 0.92:1.00 at December 31, 2015.

Fourth Quarter Financial Results

(000's)	Three months ended December 31, 2016 Camps & Catering	Rentals & Logistics	Corporate	Inter-segment Eliminations	Total
Revenue	$ 48,229	$ 12,191	$ -	$ -	$ 60,420
Expenses					
Direct costs	43,366	8,298	(120)	-	51,544
Selling & administrative	882	667	2,718	-	4,267
EBITDAS	$ 3,981	$ 3,226	$ (2,598)	$ -	$ 4,609
EBITDAS as a % of revenue	8%	26%	-	-	8%
Share based compensation	236	70	541	-	847
Depreciation & amortization	9,995	3,089	220	(7)	13,297
Impairment loss	-	-	-	-	-
Loss (gain) on disposal of property, plant and equipment	(1,217)	-	-	(14)	(1,231)
Operating (loss) earnings	$ (5,033)	$ 67	$ (3,359)	$ 21	$ (8,304)
Finance costs					672
Loss on equity Investments					78
Income tax recovery					(1,839)
Total loss					$ (7,215)
Other comprehensive income					(1)
Total comprehensive loss					(7,214)
Loss per share – basic					$ (0.05)
– diluted					$ (0.05)

(000's)	Three months ended December 31, 2015 Camps & Catering	Rentals & Logistics	Corporate	Inter-segment Eliminations	Total
Revenue	$ 56,706	$ 12,210	$ -	$ (194)	$ 68,722
Expenses					
Direct costs	45,773	9,101	-	(194)	54,680
Selling & administrative	1,860	862	2,802	-	5,524
EBITDAS	$ 9,073	$ 2,247	$ (2,802)	$ -	$ 8,518
EBITDAS as a % of revenue	16%	18%	-	-	12%
Share based compensation	130	37	169	-	336
Depreciation & amortization	9,443	3,862	238	7	13,550
Impairment loss	1,664	-	-	-	1,664
Loss (gain) on disposal of property, plant and equipment	120	(212)	-	-	(92)
Operating loss	$ (2,284)	$ (1,440)	$ (3,209)	$ (7)	$ (6,940)
Finance costs					556
Earnings on equity Investments					(347)
Income tax recovery					(2,163)
Total loss					$ (4,986)
Other comprehensive income					(92)
Total comprehensive loss					(4,894)
Loss per share – basic					$ (0.04)
– diluted					$ (0.04)

Camps & Catering

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

	Three months ended December 31			Years ended December 31		
Revenues *(000's)*	2016	2015	% change	2016	2015	% change
Large Camp revenue	$ 27,438	$ 43,789	(37)	$ 149,589	$ 212,582	(30)
Drill Camp revenue	2,942	2,119	39	8,079	10,945	(26)
Catering only revenue	5,463	2,167	152	20,662	11,902	74
Service revenue	5,145	2,255	128	19,645	15,540	26
Total Camp rental and catering revenues	$ 40,988	$ 50,330	(19)	$ 197,975	$ 250,969	(21)
Manufacturing sales revenue	7,241	6,376	14	14,643	63,567	(77)
Total revenue	$ 48,229	$ 56,706	(15)	$ 212,618	$ 314,536	(32)
EBITDAS	$ 3,981	9,073	(56)	$ 30,822	$ 60,252	(49)
EBITDAS as a % of revenue	8%	16%		14%	19%	
Operating earnings (loss)	$ (5,033)	$ (2,284)	120	$ (7,273)	$ 18,567	(139)

Revenues from the Camps & Catering segment for Q4 2016 were $48.2 million, a decrease of $8.5 million or 15% compared to Q4 2015. EBITDAS for the three months ended December 31, 2016 were $4.0 million, a decrease of $5.1 million or 56% compared to Q4 2015. The decrease in Q4 2016 segment revenues and EBITDAS, compared to Q4 2015, was primarily associated to 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 Q4 2015.

Revenues from the Camps & Catering segment for 2016 were $212.6 million, a decrease of $101.9 million or 32% compared to 2015 with EBITDAS decreasing 49% year over year. The lower revenue and EBITDAS for 2016, compared to 2015, was a result of the lower demand driven by the factors discussed above. The lower demand in 2016 was equally apparent in both camp rental and catering and the manufacturing sales operations. The camp rental and catering operations experienced a very muted seasonal lift in Q1 2016 and minimal incident camp activity in the second half of 2016 compared to record seasonal activity in Q1 2015 and very strong Q3 2015 incident camp activity both of which did not recur in 2016. The majority of the 2015 manufacturing sales revenues were related to the completion of a large oil sands camp and a mine project in the Northwest Territories, 2016 did not have projects of similar size and scope.

Horizon North's revenues in the Camps & Catering segment continue to be driven by Alberta oil sands activity with 39% of revenues for 2016 generated from oil sands related projects compared to 48% in 2015. The decrease was primarily due to the completion of a significant oil sands camp construction and installation project in Q2 2015 with no comparable projects in 2016.

Large camp

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

	Three months ended December 31			Years ended December 31		
Revenues *(000's)*	2016	2015	% change	2016	2015	% change
Large Camp revenue	$ 27,438	$ 43,789	(37)	$ 149,589	$ 212,582	(30)
Bed rental days (1)	388,517	487,945	(20)	1,734,880	2,011,388	(14)
Revenue per bed rental day	$ 71	$ 90	(21)	$ 86	$ 106	(19)
RevPAAB (2)	$ 32	$ 50	(36)	$ 46	$ 64	(28)
Rentable beds at period end (3)	9,339	9,355	-	9,339	9,355	-
Average rentable beds (4)	9,334	9,492	(2)	8,957	9,113	(2)
Utilization (5)	45%	56%	(20)	53%	60%	(12)

(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 of 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.
(5) Utilization equals the total number of bed rental days divided by average rentable beds in the period.

Revenues from Large Camp operations for Q4 2016 decreased by $16.4 million, or 37% compared to Q4 2015. The decrease between the comparative quarters was due to very wet ground conditions in the Fort McMurray and Grande Paraire areas which resulted in some pipeline construction projects being delayed until 2017. In addition, several significant large camp contracts expired and ramped down throughout 2016 resulting in fewer camps operating in Q4 2016 compared to Q4 2015. Customers' ongoing cost reduction efforts have resulted in fewer opportunities to maintain and grow the backlog of work and projects added to the backlog were won with aggressive pricing and tighter margins resulting in lower revenues, reduced EBITDAS and reduced EBITDAS as a percentage of revenue.

The softer demand for Large Camp services combined with the downward pressure on pricing resulted in a decrease in the key performance metrics compared to Q4 2015. RevPAAB and utilization were each lower by 36% and 20%, respectively compared to Q4 2015. The fleet size at the end of the period remained relatively consistent with the comparative quarter as a result of equipment sales throughout the year and the loss of the Blacksands Executive Lodge beds being offset by the beds added through the Empire Camps acquisition.

Revenues from Large Camp operations for 2016 decreased by $63.0 million or 30% compared to 2015. The decrease, compared to 2015, was attributable to continued downward pricing pressure and generally reduced demand for Large Camp services. The lower 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. These factors resulted in a 2016 RevPAAB and utilization of $46 and 53%, a decrease of 28% and 12% respectively.

Drill camp

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

	Three months ended December 31			Years ended December 31		
Revenues *(000's)*	2016	2015	% change	2016	2015	% change
Drill Camp revenue	$ 2,942	$ 2,119	39	$ 8,079	$ 10,945	(26)
Bed rental days [1]	24,520	15,370	60	65,116	69,458	(6)
Revenue per bed rental day	$ 120	$ 138	(13)	$ 124	$ 158	(22)
RevPAAB [2]	$ 35	$ 26	35	$ 24	$ 37	(35)
Rentable beds at period end	910	955	(5)	910	955	(5)
Average rentable beds [3]	916	903	1	902	817	10
Utilization [4]	29%	19%	53	20%	23%	(13)

(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 Q4 2016 increased by $0.8 million or 39% compared to Q4 2015 primarily due to increased drilling activity. The Canadian Association of Oil Drilling Contractors (CAODC) reported Q4 2016 rig utilization of 26% compared to 22% in Q4 2015. The higher activity levels drove drill camp RevPAAB and utilization of $35 and 29% respectively compared to $26 and 19% in Q4 2015. Revenue per bed rental day decreased by $18 to $120 due to continued pricing pressures within the drilling industry as a whole.

Revenues from Drill Camp operations for 2016 decreased by $2.9 million or 26% compared to 2015 mainly due to the very high activity levels in Q1 2015. The Canadian Association of Oil Drilling Contractors (CAODC) reported year to date rig utilization of 18%, down from 24% in the same period of 2015. Drill Camp activity levels typically follow industry activity levels and are reflective of the decrease in rig utilization year over year, Drill Camp RevPAAB and utilization 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 December 31			Years ended December 31		
(000's for revenue only)	2016	2015	% change	2016	2015	% change
Catering only revenue	$ 5,463	$ 2,167	152	$ 20,662	$ 11,902	74
Catering only days [1]	41,825	23,597	77	165,361	94,033	76
Revenue per catering only day	$ 131	$ 92	42	$ 125	$ 127	(2)

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

Revenues from the provision of catering and housekeeping services, with no associated bed rentals, for Q4 2016 increased by $3.3 million or 152% compared to same period of 2015. The increase was mainly the addition of a catering contract late in Q4 2015. Revenue per catering only day increased by 42% primarily due to the different contract mix between the comparative quarters.

Revenues from the provision of catering and housekeeping services, with no associated bed rentals, for 2016 increased by $8.8 million or 74% compared to 2015. The increased revenue compared to 2015 was 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 remained relatively consistent year over year.

Service

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

	Three months ended December 31			Years ended December 31		
(000's)	2016	2015	% change	2016	2015	% change
Service revenue	$ 5,145	$ 2,255	128	$ 19,645	$ 15,540	26

Service revenues are related to the transportation, set-up and de-mobilization of camps for customers. Revenues for Q4 2016 increased by $2.9 million or 128% compared to Q4 2015. The increase was mainly due to higher volume of projects associated with various camp setups and removals of Horizon North equipment compared to Q4 2015 which had fewer projects.

Revenues for 2016 increased by $4.1 million or 26% compared to 2015. The increase was mainly related to tearout and demobilization activity associated with the expiry of several large camp contracts throughout 2016 compared to 2015.

Manufacturing sales

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

	Three months ended December 31			Years ended December 31		
(000's)	2016	2015	% change	2016	2015	% change
Manufacturing sales revenue	$ 7,241	$ 6,376	14	$ 14,643	$ 63,567	(77)

	Three months ended December 31				Years ended December 31			
	2016		2015		2016		2015	
Direct Hours	Hours	% of total hours	Hours	% of total hours	Hours	% of total hours	Hours	% of total hours
External hours	24,991	91	31,092	39	34,524	39	402,305	62
Internal hours	2,521	9	48,267	61	54,632	61	247,805	38
Total direct hours [(1)]	27,512	100	79,359	100	89,156	100	650,110	100

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

Revenues for Q4 2016 increased by $0.9 million or 14% compared to Q4 2015. The increase was related to several modular projects, an 85 room hotel in Revelstoke and an affordable transitional housing project, compared to fewer projects with smaller scope in Q4 2015.

Total direct hours, which include direct hours worked in the manufacturing plants and installation hours undertaken on project sites, for Q4 2016 decreased by 51,847 hours or 65% compared to Q4 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, 91% were allocated to external sales projects in Q4 2016 compared to 39% in Q4 2015, a reflection of the timing of external sales projects in the comparative quarters.

Revenues for 2016 decreased by $48.9 million or 77% compared to 2015. Activity in 2016 was mainly focused on a limited number of projects with smaller scope when compared to 2015 which has several large projects, a large camp project in the Alberta oil sands and a mine project in the Northwest Territories.

Total direct hours, which include direct hours worked in the manufacturing plants and installation hours undertaken on project sites, for 2016 decreased by 560,954 hours or 86% compared to 2015. The decrease in direct hours was a result of Horizon North managing production capacity through reduced overtime, headcount reduction and utilization of a government of British Columbia work share program in an effort to align with project visibility. Of the total direct hours, 39% were allocated to external sales projects in 2016 compared to 62% in 2015, reflective of the major oil sands and mine projects in 2015.

Direct costs

Direct costs for Q4 2016 were $43.4 million or 90% of revenues compared to $45.8 million or 81% of revenue for Q4 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 Q4 2016 compared to Q4 2015 were primarily related to the significantly lower activity levels, particularly in the large camp operations, as outlined in the relevant sections above. As a percentage of revenue, Q4 2016 direct costs increased by 11% compared to Q4 2015 as a result of the mix of revenue and downward pricing pressure. Q4 2016 experienced increased revenues from service and manufacturing which typically have higher labour and material inputs.

Direct costs for 2016 were $177.9 million or 84% of revenue compared to $247.5 million or 79% for 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 mainly related to lower pricing in each of the operations.

Rentals & Logistics

Rentals & Logistics revenues are comprised of: relocatable structures rentals, access mat rentals, other equipment rentals, 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 December 31			Years ended December 31		
(000's except mat rental days and numbers of mats)	2016	2015	% change	2016	2015	% change
Relocatable structures revenue [1]	$ 1,032	$ 2,269	(55)	$ 5,167	$ 9,661	(47)
Access mat rentals revenue [2]	1,547	1,862	(17)	5,555	10,949	(49)
Other equipment rentals revenue [3]	87	341	(74)	478	1,530	(69)
Used equipment sales revenue	4,066	2,516	62	6,045	6,435	(6)
Installation, transportation, service, and other revenue	5,459	5,222	5	21,072	28,019	(25)
Total revenue	$ 12,191	$ 12,210	-	$ 38,317	$ 56,594	(32)
EBITDAS	$ 3,226	$ 2,247	44	$ 9,356	$ 15,175	(38)
EBITDAS as a % of revenue	26%	18%		24%	27%	
Operating earnings (loss)	67	(1,440)	(105)	(1,693)	722	(334)
Relocatable Structures						
Average fleet size	1,210	1,414	(14)	1,226	1,414	(13)
Fleet end of period	1,207	1,415	(15)	1,207	1,415	(15)
Rental days [4]	37,310	64,897	(43)	172,190	306,211	(44)
Utilization [5]	34%	50%	(32)	38%	59%	(36)
Access mats						
Average fleet size owned [6]	29,626	29,287	1	28,503	28,951	(2)
Fleet end of period owned [7]	29,834	28,714	4	29,834	28,714	4
Rental days owned [8]	1,790,885	1,184,252	51	5,153,593	6,080,787	(15)
Rental days third party [9]	121	196,486	(100)	24,758	1,360,685	(98)
Total Rental Days	1,791,006	1,380,738	30	5,178,351	7,441,472	(30)
Utilization owned [10]	66%	44%	50	49%	58%	(16)
Revenue per mat rental day [11]	$ 0.86	$ 1.35	(36)	$ 1.07	$ 1.47	(27)
Used Sales						
Relocatable structures [12]	16	34	(53)	70	117	(40)
Mats [12]	9,686	3,990	143	12,751	10,406	23

(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 owned divided by average rentable mats owned 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 Rentals & Logistics segment for Q4 2016 were consistent with Q4 2015 at $12.2 million. EBITDAS for Q4 2016 were $3.2 million or 26% of revenue, an increase of $1.0 million or 44% compared to Q4 2015.

Revenues from the Rentals & Logistics segment for 2016 were $38.3 million, a decrease of $18.3 million or 32% compared to 2015. EBITDAS for 2016 were $9.4 million, a decrease of $5.8 million or 38% compared to 2015. The decreases in revenues and EBITDAS are mainly attributable to a lower of demand for rental equipment and the downward pressure on rental rates, particularly in the matting operations.

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 Q4 2016 decreased by $1.2 million or 55% compared to Q4 2015. The decrease in revenue was a result of lower fleet utilization driven by current market conditions. Fleet utilization decreased to 34% from 50% in Q4 2015 mainly due to economic conditions affecting demand in Q4 2016 compared to Q4 2015.

Revenues for 2016 were $5.2 million, a decrease of $4.5 million or 47% compared to 2015. The decrease was primarily a result of lower utilization throughout 2016. Utilization for 2016 was 38% of 1,226 units compared to 59% of 1,414 units during 2015.

Access mat rentals revenue

Access mat rental revenue for Q4 2016 decreased by $0.3 million or 17% compared to Q4 2015. The decrease in revenue was a result of lower revenue per mat rental day which decreased by 36% compared to Q4 2015 and more than offset the increased activity levels in Q4 2016. Rental volumes increased by 30% with 66% utilization of owned mats compared to 44% in Q4 2015. The higher activity levels were driven mainly by the wet ground conditions in the Fort McMurray and Grande Prairie areas.

Revenues for 2016 were $5.6 million, a decrease of $5.4 million or 49% compared to 2015. The decrease was driven by lower activity levels and softer pricing with utilization for the year of 49% compared to 58% for 2015, equating to $2.3 million or 30% fewer rental days in 2016. Revenue per mat rental day declined during the year to $1.07, compared to $1.47 in 2015.

Installation, transportation, service, and other revenue

Revenues for Q4 2016 increased by $0.2 million or 5% compared to Q4 2015. The increase in revenue was primarily driven by the higher demand for non-rental related services such as soil stabilization.

Revenues for 2016 decreased by $6.9 million or 25% compared to 2015. The decrease in revenue was primarily driven by the lower rentals and sales activity over the course of the year compared to 2015.

Direct costs

Direct costs for Q4 2016 were $8.3 million or 68% of revenue compared to $9.1 million or 75% of revenue for Q4 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 costs in Q4 2016, compared to Q4 2015, was mainly related to the decrease in business activity. As a percentage of revenue, direct costs decreased primarily as a result of change in sales mix between the comparative quarters.

Direct costs for 2016 were $26.7 million or 70% of revenue compared to $38.0 million or 67% of revenue for the same period of 2015. The decrease in direct costs for 2016 reflects the decrease in business activity, particularly in the equipment sales and installation operations. Direct costs as a percentage of revenue increased by 4% in 2016, compared to 2015. The increase was mainly attributable to the significant decline in prices between the comparative years and the higher used mat sales in 2016 with the associated higher cost of goods sold.

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, Vice President Human Resources, General Councel, Corporate Secretary, information technology, corporate accounting staff and associated costs of supporting a public company.

Selling and administrative expenses for Q4 2016 were $4.3 million, a decrease of $1.3 million or 23% compared to Q4 2015. The decrease is mainly due to cost reduction initiatives implemented throughout 2016. As a percentage of revenue, selling and administrative expenses were 7% compared to 8% in the comparative quarter of 2015.

For 2016 costs were $18.1 million, a decrease of $5.0 million or 22% compared to 2015**.** Costs in 2015 included $1.5 million in the manufacturing operations related to costs associated with 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 $3.5 million primarily as a result of cost reduction initiatives taken throughout 2016. As a percentage of revenue, selling and administrative expenses were 7% compared to 6% in 2015. The increase, as a percentage of revenue, was mainly attributable to the decrease in revenue.

Other Items

Depreciation and amortization

	Three months ended December 31			Twelve months ended December 31		
(000's)	2016	2015	% change	2016	2015	% change
Depreciation of property, plant and equipment	$ 12,410	$ 13,550	(8)	$ 48,848	$ 53,964	(9)
Amortization of Intangibles	887	-	-	992	-	-
Total depreciation and amortization	$ 13,297	$ 13,550	(2)	$ 49,840	$ 53,964	(8)

Depreciation of property, plant and equipment decreased by $1.1 million in Q4 2016 as compared to Q4 2015. For 2016, depreciation decreased by $5.1 million compared to 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 to the acquisition of Karoleena Inc. in May 2016 and Empire Camps in August 2016.

Financing costs

Financing costs include interest on loans and borrowings. For Q4 2016, financing costs were $0.7 million, an increase of $0.1 million or 21% in comparison to Q4 2015. For 2016, financing costs were $2.4 million, a decrease of $1.1 million or 31% compared to 2015. The decrease in financing costs was mainly a result of lower average debt levels in 2016 which averaged $68.7 million compared to $92.7 million in the same period of 2015.

The effective interest rate on loans and borrowings for the three and twelve months ended December 31, 2016 was 3.5%, slightly higher in comparison to the comparative period at 3.2%. The slightly higher effective interest rate was due to increased standby fees as the average borrowing capacity in 2016 was $131.3 million in comparison to $107.3 million in 2015.

Income taxes

For the year ended December 31, 2016, income tax recovery was $4.2million, an effective tax rate of 17%. For the year ended December 31, 2015 income tax expense was $2.5 million, an effective tax rate of 151%. The change tax rate is mainly due to the Alberta provincial income tax rate increasing from 10% to 12% which became substantively enacted in June 2015 resulting in a significant deferred tax expense at December 31, 2015.

Gain/Loss on disposal

For Q4 2016, Horizon North recognized gains of $1.2 million compared to gains of $0.1 million in Q4 2015. The gains were a result of normal management of operational assets throughout the quarter.

For 2016, Horizon North recognized gains of $0.6 million compared to losses of $0.3 million for 2015. The gains and losses on disposals were 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)		December 31, 2016		December 31, 2015
Current assets	$	72,723	$	67,519
Current liabilities excluding loans and borrowings[(1)]		31,977		32,443
Working capital[(2)]	$	40,746	$	35,076
Bank borrowing:				
Available credit facility	$	200,000	$	200,000
Drawings on credit facility		75,268		57,527
Borrowing capacity[(3)]	$	124,732	$	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 December 31, 2016 was $40.7 million compared to $35.1 million at December 31, 2015, an increase of $5.7 million. The increase in working capital, compared to 2015, is mainly associated with income taxes receivable as a result of the 2016 operating loss.

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

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

Debt Covenants	Covenants December 31, 2016
Maximum Consolidated Senior debt [(1)] to Consolidated EBITDAS ratio [(3)(4)] (must be 3.00:1.00 or less)	2.46:1.00
Maximum Consolidated Total debt [(2)] to Consolidated EBITDAS ratio [(3)(5)] (must be 4.25:1.00 or less)	2.46:1.00
Minimum Consolidated Interest coverage ratio[(6)] (must be 3.00:1.00 or more)	12.7:1.00

(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 December 31, 2016, gross capital spending was $12.4 million compared to $13.2 million in the same period of 2015. Capital spending in Q4 2016 was mainly focused on replenishing access mat fleet as a result of high volume of mat sales during Q4 2016.

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 2016 of $7.7 million compared to $10.9 million for 2015.

For the twelve months ended December 31, 2016, gross capital spending was $30.3 million compared to $54.4 million in 2015 as a result of a focused and disciplined 2016 capital program. Capital spending during the year was mainly focused on maintenance capital, fleet equipment and fulfilling land improvement commitments related to the Kitimat, British Columbia property in preparation for future development.

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 2016 of $18.7 million compared to $44.6 million for 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 ended
	March	June	September	December	December
(000's except per share amounts)	2016	2016	2016	2016	2016
Revenue	$ 77,909	$ 52,509	$ 60,097	$ 60,420	$ 250,935
EBITDAS	13,236	3,690	7,126	4,609	28,661
Operating earnings (loss)	179	(9,358)	(4,721)	(8,304)	(22,204)
Total loss	(256)	(7,982)	(4,863)	(7,215)	(20,316)
Total comprehensive loss	(325)	(7,984)	(4,860)	(7,214)	(20,383)
Loss per share – basic	$ -	$ (0.06)	$ (0.04)	$ (0.05)	$ (0.15)
Loss per share – diluted	$ -	$ (0.06)	$ (0.04)	$ (0.05)	$ (0.15)

	Three months ended				Year ended
	March	June	September	December	December
(000's except per share amounts)	2015	2015	2015	2015	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)

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 11% of total revenues compared to two major customers who generated 25% of total revenue in the same period of 2015. There can be no assurance that Horizon North's relationship with its customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, could have a material adverse effect on Horizon North's business, financial condition and results of operations.

Reliance on Key Personnel

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

Camp Permits

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

Government Regulation

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

Environmental Regulation

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

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

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

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. The Camps & Catering segment is exposed to seasonality where the busiest months are January through March and the slowest months are April through September. The Rentals & Logistics 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.

Cyber Security

Horizon North manages cyber security risk by ensuring appropriate technologies, processes and practices are effectively designed and implemented to help prevent, detect and respond to threats as they emerge and evolve. The primary risks to Horizon North include, loss of data, destruction or corruption of data, compromising of confidential customer or employee information, leaked information, disruption of business, theft or extortion of funds, regulatory infractions, loss of competitive advantage and reputational damage. Horizon North applies technical and process controls in line with industry-accepted standards to protect its information assets and systems. Data backup and recovery processes are in place to minimize risk of data loss and resulting disruption of business. Through ongoing vigilance and regular employee awareness, Horizon North has not experienced a cyber security event of a material nature. As it is difficult to quantify the significance of such events, cyber-attacks such as, security breaches of Corporation, customer, employee, and vendor information, as well as hardware or software corruption, failure or error, telecommunications system failure, service provider error, intentional or unintentional personnel actions, malicious software, attempts to gain unauthorized access to data and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and the corruption of data, may in certain circumstances be material and could have an adverse effect on Horizon North's business, financial condition and results of operations. As result of the unpredictability of the timing, nature and scope of disruptions from such attacks, Horizon North could potentially be subject to: operational delays, the compromising of confidential or otherwise protected information, destruction or corruption of data, security breaches, other manipulation or improper use of its systems and networks or financial losses, any of which could have a material adverse effect on Horizon North's competitive position, financial condition or results of operations.

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, 2016 and 2015. 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.

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 receivables. Significant estimates must be made and used in connection with establishing the allowance for doubtful accounts in any accounting period. Material differences may result if management made different judgments or utilized different estimates.

Asset Retirement Obligations ("ARO")

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

Impairment

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal ("FVLCOD") and its value in use ("VIU"). The FVLCOD calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. If no such transactions can be identified, an appropriate valuation model is used. The VIU calculation is based on a discounted cash flow model. The cash flows are derived from the Corporation's forecast and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

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

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 and other assets and the liabilities are largely based on projected cash flows, discount rates and market conditions at the date of acquisition. The estimate of fair value of property, plant and equipment is based on available data from comparable sales transactions.

Financial Instruments and Risk Management

(a) Overview

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

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

(b) Credit risk

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

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

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

(000's)		December 31, 2016		December 31, 2015
Neither impaired nor past due	$	22,066	$	24,283
Outstanding 31-60 days		6,522		6,345
Outstanding 61-90 days		1,750		1,045
Outstanding more than 90 days		3,401		1,684
Total		33,739		33,357
Accrued revenue		10,058		8,332
Construction receivables		7,242		9,270
Other receivables		6,548		159
Allowance for doubtful accounts		(1,043)		(2,240)
Total trade and other receivables	$	56,544	$	48,878

In the three months ended December 31, 2016, the Corporation provided an allowance for $1.0 million of receivables aged greater than 90 days. As at March 1, 2017, the Corporation has collected $6.3 million on amounts outstanding more than 90 days.

Construction receivables represent progress billings to customers under open construction contracts, holdback amounts billed on construction contracts which are not due until the contract work is substantially completed, amounts recognized as revenue under open construction contracts not billed to customers and highly probable claims. At December 31, 2016, included in construction receivables were holdbacks of $8,000 (December 31, 2015 - $850,000). The total of construction receivables aged less than 90 days was 95% at December 31, 2016 (December 31, 2015 – 53%).

(c) Liquidity risk

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

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

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

	December 31, 2016				December 31, 2015			
		Trade and other payables[(1)]		Loans and borrowings[(2)]		Trade and other payables[(1)]		Loans and borrowings[(2)]
Year 1	$	30,200	$	-	$	31,611	$	-
Year 2		3,248		75,268		-		57,100
Year 3		-		-		3,136		427
Year 4		3,121		-		-		-
Year 5 and beyond		5,048		-		5,927		-
	$	41,617	$	75,268	$	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 North's note payable have been recorded according to estimated utilization of specific equipment.

(d) Market risk

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

(i) Foreign currency exchange risk

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

As the foreign currency exchange risks are primarily based on the realized foreign exchange, the following sensitivity analysis is to determine the impact on cash used in operating activities. The effect of a $0.01 increase in the USD/CAD exchange rate would decrease cash used in operating activities for the twelve months ended December 31, 2016 by approximately $26,000 (December 31, 2015 - $82,625). 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 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 $687,000 for the twelve months ended December 31, 2016 (December 31, 2015 - $855,725). 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 outstanding and exercisable options to purchase 4,168,595 shares for a total potential of 148,790,601 shares as at March 1, 2017.

Off Balance Sheet Financing

Horizon North has no off balance sheet financing.

Subsequent Event

On February 14, 2017, the Corporation received from insurers an additional payment of $10.0 million relating to the Blacksands insurance claim for a total of $25.0 million of advanced payments. The final settlement of $34.1 million was achieved February 28, 2017 with the final payment anticipated by the end of Q1 2017.

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, 2016, an evaluation was carried out, under the supervision of the CEO and the Senior Vice President Finance and CFO, of the effectiveness of the design and operation of Horizon North's DC&P as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings. Based on this evaluation, the CEO and Senior Vice President Finance and CFO have concluded that, as at December 31, 2016, Horizon North's DC&P, as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, were effective.

Throughout 2017, Horizon North will continue to evaluate its DC&P making modifications from time-to-time as deemed necessary. There were no changes in Horizon North's DC&P that occurred during the period ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, Horizon North's DC&P.

Internal Controls over Financial Reporting

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

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

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

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

As at December 31, 2016, an evaluation was carried out, under the supervision of the CEO and the Senior Vice President Finance and CFO, of the effectiveness of Horizon North's ICFR based on the framework and criteria established in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013.

Based on this evaluation, management concluded that the design and operating effectiveness of Horizon North's ICFR was effective as of December 31, 2016.

Throughout 2017, Horizon North will continue to evaluate its ICFR making modifications from time-to-time as deemed necessary. There were no changes in Horizon North's ICFR that occurred during the period ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, Horizon North's ICFR.

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

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

Non-GAAP measures

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

EBITDAS: Earnings before 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 December 31		Years ended December 31	
(000's)	2016	2015	2016	2015
Total loss	$ (7,215)	$ (4,986)	$ (20,316)	$ (832)
Add:				
Share based compensation	847	336	1,651	1,717
Depreciation & amortization	13,297	13,550	49,840	53,964
Impairment loss	-	1,664	-	1,664
(Gain) loss on disposal of property, plant and equipment	(1,231)	(92)	(626)	337
Finance costs	672	556	2,407	3,491
Earnings on equity investments	78	(347)	(126)	(347)
Income tax (recovery) expense	(1,839)	(2,163)	(4,169)	2,466
EBITDAS	$ 4,609	$ 8,518	$ 28,661	$ 62,460

Related Parties

(000's)	December 31, 2016	December 31, 2015
Joint venture		
Recovery of administrative overhead	$ 60	$ 60
Included in accounts receivable	23	32
Key Management personnel interests		
Sales	$ 1,320	$ 2,134
Included in accounts receivable	-	54

The Corporation earned a management fee for the year ended December 31, 2016 of $0.06 million (2015 - $0.06 million) for the recovery of administrative overhead relating accounting and management services provided to Arctic Oil & Gas Services Ltd ("AOGS"), a joint venture that is 50% owned by the Corporation.

AOGS earned revenue during the year ended December 31, 2016 of $1.3 million (2015 – $2.1 million) for catering services provided to E. Gruben's Transport Ltd, a company whereby a director of the Corporation is the Chief Executive Officer. The amounts included in trade receivables of AOGS as at December 31, 2016 is $nil (2015 – $0.05 million).

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

Advisories

This Management's Discussion and Analysis, prepared as at March 1, 2017 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 continuing the journey of transformational change, moving towards two distinct operation pillars – Industrial Services and Modular Construction. The Corporation expects to update its public reporting to reflect the effects of these changes in early 2017."

  "The Industrial Services pillar incorporates catering and camp management services, access matting, space rentals, and transportation and installation services serving our traditional end markets. Horizon North's outlook for these operations in 2017 is for a moderate strengthening of activity levels as compared to 2016. Although commodity prices have recently shown some stability, with oil settling in the low $50/bbl range, we do not anticipate a significant change to customers' capital spending plans or relief from the continued downward pressure on pricing over the short term. We expect the second half of 2017 to gain some momentum as capital investment resumes, assuming commodity price stability continues and customers increase their activity levels."

  "The Modular Construction pillar will continue to focus on the supply of permanent modular structures serving both commercial and residential end markets across Canada. Projects started in the last quarter of 2016 will continue through the first half of 2017, and a large opportunity funnel and strong bidding activity is anticipated to generate a more robust backlog in the second half of 2017. Horizon North will continue to focus on developing and refining its Modular Construction operations, further enhancing the product quality and efficient project execution. To facilitate this commitment, Horizon North has recently added a senior resource to support project management and execution enabling the Vice President of Manufacturing to focus on Lean manufacturing initiatives and product development opportunities."

  "In May 2016, the Fort McMurray wildfires destroyed Horizon North's Blacksand Executive Lodge. Since the loss, Horizon North has worked closely with its insurers and advisors to achieve a final settlement of $34.1 million on February 28, 2017. To date $25.0 million of advanced payments have been received with the final payment anticipated by the end of Q1 2017 to be used primarily to reduce long term debt."

  "The strength of the Statement of Financial Position was a priority for Horizon North throughout 2016, and will continue to be a focus for 2017. Cost reduction measures which began in 2016, such as Lean initiatives across our industrial operations and the centralization of certain general and administrative functions will continue to drive improved cash flow through efficiencies. In addition to a limited and tightly managed capital program, 2017 will assess Horizon North's portfolio of assets to ensure a focus on core business lines. This combination of actions will help ensure the continued strength with respect to the financial position of Horizon North."

- The timing of the final insurance settlement for the loss of the Blacksand Executive Lodge;
- The payment of a dividend for the first quarter of 2017 at $0.02 per share and payable to shareholders of record at the close of business on March 31, 2017 to be paid on April 13, 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 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 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.

Management's Report to Shareholders

The accompanying consolidated financial statements of Horizon North Logistics Inc. ("Horizon North" or the "Corporation") have been approved by the Board of Directors (the "Board") of Horizon North and have been prepared by management in accordance with International Financial Reporting Standards. Financial statements will, by necessity, include certain amounts based on estimates and judgments. The financial information contained throughout this report has been reviewed to ensure consistency with these consolidated financial statements.

Management has overall responsibility for internal controls and maintains accounting systems designed to provide reasonable assurance that transactions are properly authorized, assets safeguarded and that the financial records form a reliable base for the preparation of accurate and timely financial information. The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of disclosure controls and procedures and internal controls over financial reporting and have concluded that they are effective.

The Board oversees the management of the business and affairs of Horizon North; including ensuring management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee, which consists of four independent directors. An independent firm of chartered accountants, appointed as external auditor by the shareholders, has audited the consolidated financial statements and its report is included herein. The Audit Committee has reviewed the consolidated financial statements with management and the external auditor.

Rod Graham	Scott Matson
President and	Senior Vice President Finance and
Chief Executive Officer	Chief Financial Officer

March 1, 2017

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Horizon North Logistics Inc.

We have audited the accompanying consolidated financial statements of Horizon North Logistics Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Horizon North Logistics Inc. as at December 31, 2016 and December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

March 1, 2017
Calgary, Canada

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Consolidated statement of financial position

(000's)	December 31, 2016	December 31, 2015
Assets		
Current assets:		
Trade and other receivables (Note 12)	$ 56,544	$ 48,878
Inventories (Note 13)	5,259	11,316
Prepayments	3,958	3,677
Income taxes receivable	6,962	3,648
Total Current assets	72,723	67,519
Non-current assets:		
Property, plant and equipment (Note 14)	382,771	398,727
Intangible assets (Note 15)	7,090	-
Goodwill (Note 15)	20,348	-
Deferred tax assets (Note 11)	-	283
Other assets (Note 16)	2,169	2,975
Total Non-current Assets	412,378	401,985
Total Assets	$ 485,101	$ 469,504
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables	$ 28,535	$ 30,626
Deferred revenue	1,777	832
Current portion of asset retirement obligation (Note 18)	1,665	985
Total Current liabilities	31,977	32,443
Non-current liabilities:		
Asset retirement obligations (Note 18)	11,417	9,063
Loans and borrowings (Note 17)	75,268	57,527
Deferred tax liabilities (Note 11)	42,752	37,110
Total Liabilities	161,414	136,143
Shareholders' equity:		
Share capital (Note 19)	286,674	265,867
Contributed surplus	15,465	14,451
Accumulated other comprehensive income	764	831
Retained earnings	20,784	52,212
Total Shareholders' equity	323,687	333,361
Total Liabilities and Shareholders' equity	$ 485,101	$ 469,504

The accompanying notes are an integral part of the consolidated financial statements.

Ann Rooney
Director

Rod Graham
Director

Consolidated statement of comprehensive loss
Twelve months ended December 31, 2016 and 2015

(000's except per share amounts)	December 31, 2016	December 31, 2015
Revenue (Note 6)	$ 250,935	$ 369,889
Operating expenses:		
Direct costs (Note 7)	204,140	284,278
Depreciation (Note 14)	48,848	53,964
Amortization of intangible assets (Note 15)	992	-
Impairment loss (Note 15)	-	1,664
Share based compensation (Note 19)	690	971
(Gain) loss on disposal of property, plant and equipment	(626)	337
Direct operating expenses (Note 7)	254,044	341,214
Gross (loss) profit	(3,109)	28,675
Selling & administrative expenses:		
Selling & administrative expenses (Note 8)	18,134	23,151
Share based compensation (Note 19)	961	746
Selling & administrative expenses (Note 8)	19,095	23,897
Operating (loss) earnings	(22,204)	4,778
Finance costs (Note 10)	2,407	3,491
Earnings on equity investments	(126)	(347)
(Loss) profit before tax	(24,485)	1,634
Current tax recovery	(7,043)	(2,573)
Deferred tax expense (Note 11)	2,874	5,039
Income tax (recovery) expense (Note 11)	(4,169)	2,466
Total loss	(20,316)	(832)
Other comprehensive income:		
Translation of foreign operations	(67)	57
Other comprehensive (loss) income, net of income tax	(67)	57
Total comprehensive loss	$ (20,383)	$ (775)
Loss per share:		
Basic (Note 20)	$ (0.15)	$ (0.01)
Diluted (Note 20)	$ (0.15)	$ (0.01)

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

(000's)	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance at December 31, 2014	$ 185,592	$ 13,523	$ 774	$ 86,685	$ 286,574
Total loss	-	-	-	(832)	(832)
Share based compensation (Note 19)	-	1,717	-	-	1,717
Share options exercised (Note 19)	2,799	(789)	-	-	2,010
Translation of foreign operations	-	-	57	-	57
Issue of share capital (Note 19)	80,644	-	-	-	80,644
Share issue costs, net of tax (Note 19)	(3,168)	-	-	-	(3,168)
Dividends declared (Note 21)	-	-	-	(33,641)	(33,641)
Balance at December 31, 2015	$ 265,867	$ 14,451	$ 831	$ 52,212	$ 333,361
Total loss	-	-	-	(20,316)	(20,316)
Share based compensation (Note 19)	-	1,014	-	-	1,014
Translation of foreign operations	-	-	(67)	-	(67)
Issue of share capital (Note 19)	20,842	-	-	-	20,842
Share issue costs, net of tax (Note 19)	(35)	-	-	-	(35)
Dividends declared (Note 21)	-	-	-	(11,112)	(11,112)
Balance at December 31, 2016	$ 286,674	$ 15,465	$ 764	$ 20,784	$ 323,687

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flows
Twelve months ended December 31, 2016 and 2015

(000's)	December 31, 2016	December 31, 2015
Cash provided by (used in):		
Operating activities:		
Loss for the period	$ (20,316)	$ (832)
Adjustments for:		
Depreciation (Note 14)	48,848	53,964
Amortization of intangible assets (Note 15)	992	-
Impairment loss (Note 15)	-	1,664
Share based compensation (Note 19)	1,651	1,717
Amortization of other assets (Note 16)	132	127
Gain on sale of property, plant and equipment	(1,558)	(2,811)
Earnings on equity investments	(126)	(674)
Unrealized foreign exchange	(68)	36
Finance costs (Note 10)	2,407	3,491
Income tax (recovery) expense (Note 11)	(4,169)	2,466
Funds from operations	27,793	59,148
Asset retirement obligation incurred (Note 18)	(1,501)	-
Income taxes paid	3,635	(3,343)
Interest paid	(2,415)	(3,241)
Changes in non-cash working capital items (Note 26)	3,254	47,431
Net cash flows from operating activities	30,766	99,995
Investing activities:		
Purchase of property, plant and equipment (Note 14)	(30,273)	(54,443)
Proceeds on sale of property, plant and equipment	25,083	9,800
Business acquisition, net of cash acquired (Note 5)	(28,455)	-
Net cash flows (used in) investing activities	(33,645)	(44,643)
Financing activities:		
Proceeds from shares issued on exercise of options	-	2,010
Shares issued, net of share issue costs (Note 19)	(47)	76,326
Proceeds from (repayment of) loans and borrowings	16,451	(96,511)
Payment of dividends (Note 21)	(13,525)	(37,177)
Net cash flows from (used in) financing activities	2,879	(55,352)
Change in cash position	-	-
Cash, beginning of year	-	-
Cash, end of year	$ -	$ -

The accompanying notes are an integral part of the consolidated financial statements.

1. Reporting Entity

Horizon North Logistics Inc. ("Horizon North" or the "Corporation") is a corporation registered and domiciled in Canada and is a publicly-listed corporation, listed on the Toronto Stock Exchange under the symbol HNL. The Corporation's registered offices are at 1600, 505 – 3rd Street SW, Calgary, AB T2P 3E6. The consolidated financial statements of the Corporation as at and for the year ended December 31, 2016 comprise the Corporation and its subsidiaries and the Corporation's interest in jointly controlled entities. Horizon North provides full service solutions in workforce accommodations and camp management, matting and soil stabilization, remote power and energy generation systems, and relocatable and permanent modular structures. The Corporation provides a full range of these services to clients in the energy, mining, forestry and construction sectors anywhere in Canada and Alaska.

2. Basis of Presentation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements were authorized for issue by the Board of Directors on March 1, 2017.

(b) Basis of measurement

The consolidated financial statements have been prepared using the historical cost basis. Certain prior period amounts have been amended to conform to current period presentation.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's and subsidiaries functional currency with the exception of a United States ("US") operational entity which has a US dollar functional currency.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The judgments, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual outcomes may differ from these estimates.

The judgments, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The judgments, estimates and assumptions that have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements are as follows:

Estimates

- Revenue Recognition Estimate – 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 Note 3(j)(iv).

- 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 conditions resulting 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.

2. Basis of Presentation (continued)

(d) Use of estimates and judgments (continued)

Estimates (continued)

- 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 receivables. 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 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 Note 3(i).

- Impairment - Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal ("FVLCOD") and its value in use ("VIU"). The FVLCOD calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. If no such transactions can be identified, an appropriate valuation model is used. The VIU calculation is based on a discounted cash flow model. The cash flows are derived from the Corporation's forecast and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

- 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 and other assets and the liabilities are largely based on projected cash flows, discount rates and market conditions at the date of acquisition. The estimate of fair value of property, plant and equipment is based on available data from comparable sales transactions.

Judgments

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

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Corporation. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the policies adopted by the Corporation. Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders; therefore no goodwill is recognized as a result of such transactions.

3. Significant Accounting Policies (continued)

(a) Basis of consolidation (continued)

(ii) Special purpose entities

The Corporation has established a number of special purpose entities ("SPE") for operating purposes. An SPE is consolidated when, based on an evaluation of the substance of its relationship with the Corporation and the SPE's risks and rewards, the Corporation concludes that it controls the SPE. SPE's controlled by the Corporation were established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in the Corporation receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to the majority of risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

(iii) Joint ventures

The Corporation's joint ventures are those entities over whose activities the Corporation has joint control, established by contractual agreement. Joint ventures are accounted for using the equity method (equity accounted investees) and are initially recognized at cost.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Corporation's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Business combinations

Business combinations are accounted for using the acquisition method. Determining whether an acquisition meets the definition of a business combination or represents an asset purchase requires judgment on a case by case basis. If the acquisition meets the definition of a business combination, the assets acquired and assumed liabilities are classified or designated based on the contractual terms, economic conditions, the Corporation's operating and accounting policies, and other factors that exist on the acquisition date. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

(c) Financial instruments

Financial Instrument	Category	Measurement Method
Trade and other receivables	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Loans and borrowings	Other financial liabilities	Amortized cost

3. Significant Accounting Policies (continued)

(c) Financial instruments (continued)

(i) Non-derivative financial assets

The Corporation initially recognizes trade and other receivables and deposits on the date that they originate. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, there is a legal right to offset the amounts and the Corporation intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Corporation uses the following non-derivative financial asset classification: loans and receivables.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognized at fair value plus any directly attributable transaction costs. Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

(ii) Non-derivative financial liabilities

The Corporation initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which it becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Bank overdrafts that are repayable on demand and form an integral part of the Corporation’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

The Corporation uses the following non-derivative financial liability classification: other financial liabilities.

Other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

3. Significant Accounting Policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset, acquisition costs including the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Costs related to assets under construction are capitalized when incurred. Assets under construction are not depreciated until they are completed and available for use in the manner intended by management. When this occurs, the asset is transferred to property, plant and equipment by the nature of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within operating expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing a major component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation, and its cost can be measured reliably. The carrying amount of the replaced major component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated using the depreciable amount, which is the cost of an asset, less its residual value. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

Assets	Method	Residual Value	Useful Life
Camp facilities	Straight-line	20%	15 years
Camp setup & installation	Straight-line	-	2 to 5 years
Buildings	Straight-line	-	20 years
Automotive & trucking equipment	Straight-line	-	4 to 8 years
Mats	Straight-line	-	6 years
Furniture, fixtures & other equipment	Straight-line	-	2 to 10 years
Asset retirement obligation	Straight-line	-	2 to 9 years

Depreciation methods, useful lives, and residual values are reviewed at each financial year end and adjusted if appropriate. Land and assets under construction are not depreciated.

3. Significant Accounting Policies (continued)

(e) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures. Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. Goodwill is not amortized but is tested at least annually for impairment.

(ii) Assets acquired on business combinations

Non-operating intangible assets are intangible assets that are acquired as a result of a business combination, which arise from contractual or other legal rights and are not transferable or separable. On initial recognition they are measured at fair value. Amortization is charged on a straight line basis to the statement of comprehensive income over their expected useful lives which are:

	Estimated useful lives
Trade names	7 years
Architectural design	5 years
Customer contracts	2.5 years

Amortization methods, useful lives, and residual values are reviewed at each financial year-end and adjusted if appropriate.

(f) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on a weighted average or standard cost principle and includes expenditures incurred in acquiring the inventories, production or conversion costs, and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Corporation considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

3. Significant Accounting Policies (continued)

(g) Impairment (continued)

(i) Financial assets (continued)

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or assets that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). The corporation has identified four CGUs: Camps and Catering, Matting, Relocatable Structures, and Manufacturing. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU or group of CGUs that are expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Corporation's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the group of CGUs to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units), on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(h) Employee benefits

(i) Defined contribution plan

The Corporation's defined contribution plan is a post-employment benefit plan under which the Corporation pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss when they are due.

3. Significant Accounting Policies (continued)

(h) Employee benefits (continued)

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under the short-term cash bonus plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Share based compensation transactions

Equity-settled transactions

The grant date fair value of share based compensation awards granted to officers and employees is recognized as an expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards (vesting period). The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Cash-settled transactions

Effective June 1, 2016, the Corporation implemented a Restricted Share Unit (“RSU”) plan for eligible officers and employees of the Corporation. The fair value of the amount payable to officers and employees in respect of the RSUs, for which the participants are eligible to receive an equivalent cash value of the common shares at a future date, is recognized as an expense with a corresponding increase in liabilities over the period that the employees and officers provide the related service and become entitled to payment. The liability is re-measured at each reporting date and at the settlement date. Any changes in the fair value of the liability are recognized as selling & administrative expenses in profit or loss.

(i) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax risk-free rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. As at December 31, 2016 and 2015 the Corporation has recognized a provision for Asset Retirement Obligation.

(j) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable. Revenue is recognized when the significant risks and rewards have transferred to the customer, collectability is reasonably assured, the associated costs can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For the sale of camps and mats, transfer usually occurs when the product is delivered to the customer’s site; however, in instances where the customer has provided a certificate of insurance for undelivered assets, the Corporation will recognize revenue prior to delivery.

(ii) Services

The Corporation’s services are generally provided based upon purchase orders or contracts with its customers that include fixed or determinable prices based upon monthly, daily, or hourly rates. Revenue is recognized when services are rendered and only when collectability is reasonably assured.

3. Significant Accounting Policies (continued)

(j) Revenue (continued)

(iii) Rental income

Rental income is recognized in profit or loss on a straight line basis over the term of the arrangement, or on a daily or monthly rate.

(iv) Construction contracts

Contract revenue includes the initial amount agreed to in the contract plus any variations in contract work, claims, and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

(k) Lease payments

At inception of an arrangement, the Corporation determines whether such an arrangement is, or contains, a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Corporation the right to the risks and rewards of the underlying asset.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Leases in terms of which substantially all the risks and rewards of ownership are transferred to the Corporation are classified as finance leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease:

At inception or upon reassessment of the arrangement, the Corporation separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Corporation concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Corporation’s incremental borrowing rate.

3. Significant Accounting Policies (continued)

(l) Finance income and costs

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction, or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Earnings per share

The Corporation presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the total profit or loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated by the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which is comprised of share options granted to employees.

(o) Segment reporting

A segment is a distinguishable component of the Corporation that is engaged either in providing related products or services (business segment) which is subject to risks and returns that are different from those of other segments. The business segments are determined based on the Corporation's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Corporation's headquarters) and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

3. Significant Accounting Policies (continued)

(p) Foreign currency translation

The consolidated financial statements are presented in Canadian Dollars (“CAD”).

Foreign currency transactions entered into are translated into the functional currency of the operations at the exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated into the functional currency using the exchange rate on the period end date. Foreign currency translation gains and losses resulting from the settlement of transactions and the re-translation at period end are recognized in the statement of comprehensive income within total profit. Non-monetary items that originated in a foreign currency are translated at the exchange rate from the original transaction date.

The US entity has a US Dollar (“USD”) functional currency is therefore translated to be included in the consolidated financial statements in CAD as follows: income and expenses are translated into CAD using the exchange rates on the dates of the transactions and the assets and liabilities on the statement of financial position are translated into CAD at the period end exchange rate. The effect of translation is recognized in other comprehensive income and included as translation of foreign operations in accumulated other comprehensive income within equity.

Foreign currency gains and losses arising from monetary items receivable from or payable to a foreign operation, for which settlement is neither planned nor likely to occur, form a part of the exchange differences in the net investment in the foreign operations and are recognized initially in other comprehensive income. Upon disposal or partial disposal of an entity with a functional currency other than CAD, any accumulated exchange differences will be reclassified to the statement of comprehensive income within total profit.

(q) New standards and interpretations not yet adopted

The new standards, amendments to standards and interpretations not yet effective for the year ended December 31, 2016, and have not been applied in preparing these consolidated financial statements are disclosed below. The Corporation intends to adopt these standards, if applicable, when they become effective on or after January 1, 2017.

IFRS 9 Financial Instruments - IFRS 9 Financial Instruments addresses the classification and measurement of financial assets. The new standard defines two instead of four measurement categories for financial assets with classification to be based partly on the Corporation’s business model and partly on the characteristics of the contractual cash flows from the respective financial asset. IFRS 9 requires impairment of financial assets to be based on past, current and future costs relating to the financial assets. The Corporation intends to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 15 Revenue from Contracts with Customers - IFRS 15 Revenue from Contracts with Customers contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Corporation intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined but management initiated a project to first determine the areas where the new standard may have an impact and subsequently identified the changes, if any, which need to be made to correct the revenue recognition practice.

IFRS 16 Leases - IFRS 16 Leases eliminates the current operating/finance lease dual accounting model for lessees. Instead, there is a single, on-balance sheet accounting model, similar to current finance lease accounting. The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

4. Determination of fair values

A number of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

The fair value of property, plant and equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller, in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on the market and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

(b) Intangible assets

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

(c) Other financial assets and liabilities

The fair value of other financial assets and liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(d) Share-based compensation transactions

The fair value of the employee share options is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on measurement date, the exercise price of the instrument, the expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the weighted average expected life of the instruments (based on historical experience and general option holder behavior), the expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions are not taken into account in determining fair value.

Units issued under the RSU plan are initially measured based on fair market value of the Corporation's stock price when granted. The fair value of outstanding units is re-measured at each reporting date using the Corporation's stock price until the date of settlement. Under the terms of the RSU plan, the RSUs awarded will vest in three equal portions on the first, second and third anniversary from the grant date and will be settled in cash, in the amount equal to the fair market value of the Corporation's stock price on that date.

5. Business Combinations

a) Karoleena Inc.

On June 1, 2016, the Corporation acquired all of the issued and outstanding shares of Karoleena Inc., Korewerks Construction Group Inc. and Z Future Particle Corporation (collectively, "Karoleena") for total cash consideration of $833,000, the assumption of $2,090,000 of debt, and the issuance of 1,182,022 common shares of the Corporation with a fair value at the acquisition date of $1.41 per share for total consideration of $4,590,000.

Karoleena is a private manufacturer of designer prefabricated modular homes and focuses on providing premium modern homes through its prefabrication process.

The following summarizes the major classes of consideration transferred at the acquisition date:

	Amount *(000's)*
Cash paid	$ 833
Shares issued	1,667
Cash and equity consideration	$ 2,500
Assumption of bank debt	2,090
Total consideration transferred	$ 4,590

The acquisition has been accounted for using the acquisition method on June 1, 2016, whereby the assets acquired and the liabilities assumed were recorded at their fair values with the surplus of the aggregate consideration relative to the fair value of the identifiable net assets recorded as goodwill. The Corporation assessed the fair values of the net assets acquired based on management's best estimate of the market value, which takes into consideration the condition of the assets acquired, current industry conditions and the discounted future cash flows expected to be received from the assets as well as the amount it is expected to cost to settle the outstanding liabilities. Subsequent to the acquisition date, Karoleena's operating results have been included in the Corporation's revenues, expenses and capital spending.

The following summarizes the allocation of the aggregate consideration for the Karoleena acquisition:

	Amount *(000's)*
Cash acquired	$ 134
Trade receivables	209
Other current assets	36
Property, plant and equipment	348
Intangible assets	2,029
Current liabilities	(1,479)
Total net identifiable assets acquired	$ 1,277
Goodwill	3,313
Total consideration transferred	$ 4,590

The allocations and determinations of the consideration described above are preliminary and subject to changes upon final adjustments.

The goodwill arises as a result of the assembled workforce, the technical expertise and capabilities existing within the acquired business and also the synergies expected to be achieved as a result of combining Karoleena with the rest of the Corporation. None of the goodwill recognized is expected to be deductible for income tax purposes. The identified intangible assets acquired includes tradename and architectural drawings.

From the date of acquisition to December 31, 2016, Karoleena contributed $2,803,000 of revenue and $2,032,000 of loss before tax to the Corporation. If the business combination had been completed on January 1, 2016, the revenue and loss before income tax for the twelve month period ending December 31, 2016 would have been $5,276,000 and $2,934,000 respectively.

The Corporation incurred costs related to the acquisition of Karoleena of $23,000 relating to due diligence and external advisory fees. These costs have been included in selling & administrative expenses on the consolidated statements of comprehensive loss.

5. Business Combinations (continued)

b) Empire Camp Equipment Ltd.

On August 23, 2016, the Corporation acquired all of the issued and outstanding shares of Empire Camp Equipment Ltd. ("Empire") for total cash consideration of $28,192,000, and the issuance of 10,833,333 common shares of the Corporation with a fair value at the acquisition date of $1.77 per share for total consideration of $47,367,000.

Empire is a Western Canadian focused provider of camp and wellsite buildings to the energy, mining and construction sectors.

The following summarizes the major classes of consideration transferred at the acquisition date:

	Amount *(000's)*	
Cash paid	$	28,192
Shares issued		19,175
Total consideration transferred	$	47,367

The acquisition has been accounted for using the acquisition method on August 23, 2016, whereby the assets acquired and the liabilities assumed were recorded at their fair values with the surplus of the aggregate consideration relative to the fair value of the identifiable net assets recorded as goodwill. The Corporation assessed the fair values of the net assets acquired based on management's best estimate of the market value, which takes into consideration the condition of the assets acquired, current industry conditions and the discounted future cash flows expected to be received from the assets as well as the amount it is expected to cost to settle the outstanding liabilities. Subsequent to the acquisition date, Empire's operating results have been included in the Corporation's revenues, expenses and capital spending.

The following summarizes the allocation of the aggregate consideration for the Empire acquisition:

	Amount *(000's)*	
Cash acquired	$	436
Trade receivables		1,299
Other current assets		28
Property, plant and equipment		26,105
Intangible assets		6,053
Deferred income tax		(3,066)
Current liabilities		(523)
Total net identifiable assets acquired	$	30,332
Goodwill		17,035
Total consideration transferred	$	47,367

The allocations and determinations of the consideration described above are preliminary and subject to changes upon final adjustments.

The goodwill arises as a result of the synergies existing within the acquired business and also the synergies expected to be achieved as a result of combining Empire with the rest of the Corporation. None of the goodwill recognized is expected to be deductible for income tax purposes. The identified intangible asset acquired relates to customer contracts.

From the date of acquisition to December 31, 2016, Empire contributed $2,880,000 of revenue and $1,059,000 of profit before tax to the Corporation. If the business combination had been completed on January 1, 2016, the revenue and profit before income tax for the twelve month period ending December 31, 2016 would have been $8,558,000 and $3,692,000 respectively.

The Corporation incurred costs related to the acquisition of Empire of $113,000 relating to due diligence and external legal fees. These costs have been included in selling & administrative expenses on the consolidated statements of comprehensive loss.

6. Revenue

(000's)	Twelve months ended December 31, 2016	2015
Rental and Catering revenue	$ 209,176	$ 278,904
Rendering of services	21,071	21,251
Construction contract revenue	14,643	63,299
Sales of goods	6,045	6,435
	$ 250,935	$ 369,889

Construction contract revenue has been determined based on the percentage of completion method. The amount of construction contract revenue results from the manufacture of camps and other modular facilities in the Camp & Catering segment. These units are based on specifically negotiated contracts with customers.

For construction contracts in progress, the aggregate amount of contract costs incurred and recognized profits, less recognized losses, as at December 31, 2016 were $4,758,000 (2015 - $7,719,000).

At December 31, 2016, advances received from customers under open construction contracts amounted to $647,000 (2015 - $734,000). Advances for which the related work has not been completed are presented as deferred revenue.

7. Direct Operating Expenses

(000's)	Twelve months ended December 31, 2016	2015
Labour	$ 110,529	$ 157,335
Job supplies	45,373	61,469
Rental equipment	4,468	13,628
Repairs & maintenance	5,982	10,040
Trucking costs	2,622	8,430
Other operating expenses	35,166	33,376
Direct costs	$ 204,140	$ 284,278
Depreciation	48,848	53,964
Amortization of intangibles	992	-
Impairment loss	-	1,664
Share based compensation	690	971
Loss (gain) on disposal of property, plant and equipment	(626)	337
	$ 254,044	$ 341,214

The amount of inventories recognized as an expense during the twelve months ended December 31, 2016 is $8,112,000 (2015 - $17,103,000).

8. Selling & Administrative Expenses

(000's)	Twelve months ended December 31, 2016	2015
Salaries	$ 13,326	$ 13,076
Other selling & administrative expenses	4,808	10,075
Selling & administrative expenses	18,134	23,151
Share based compensation	961	746
	$ 19,095	$ 23,897

9. Personnel expenses

(000's)	Twelve months ended December 31, 2016	2015
Wages, salaries & benefits	$ 120,531	$ 166,067
Contributions to defined contribution plans	3,324	4,345
Share based compensation	1,651	1,717
	$ 125,506	$ 172,129

The Corporation has two types of defined contribution plans: a registered defined contribution plan covering a number of its employees and a collectively bargained plan covering union employees. Under the registered defined contribution plan, the Corporation matches individual contributions up to a maximum of 5% of the employee's annual salary. Under the collectively bargained plan, the Corporation contributes a set amount per hour worked.

10. Finance Costs

(000's)	Twelve months ended December 31, 2016	2015
Interest expense	$ 2,319	$ 3,280
Accretion of provisions	88	211
	$ 2,407	$ 3,491

11. Income Taxes

The provision for income taxes differs from that which would be expected by applying statutory rates. A reconciliation of the difference is as follows:

(000's)	Twelve months ended December 31, 2016	2015
Earnings before income taxes	$ (24,485)	$ 1,634
Combined federal and provincial income tax rate	27%	26%
Expected income tax provision	(6,611)	425
Future rate differential	-	2,165
Rate differential on non-capital loss carryback	560	-
Non-deductible share based compensation	446	446
Revisions to prior year tax estimates	490	(506)
Share issuance costs	13	(224)
Impairment of goodwill	-	433
Deferred taxes not recognized	777	-
Differences in jurisdictional tax rates	142	(87)
Non-taxable portion of capital gain	(95)	(98)
Other	109	(88)
Income tax (recovery) expense	$ (4,169)	$ 2,466

For the year ended December 31, 2016 income tax recovery was $4,169,000, an effective tax rate of 17.0%, for the year ended December 31, 2015 income tax expense was $2,466,000, an effective tax rate of 150.9%. The decreased tax rate is mainly due to the Alberta provincial income tax rate increasing from 10% to 12% which became substantively enacted in June 2015 resulting in a significant deferred tax expense at December 31, 2015.

11. Income Taxes (continued)

Deferred tax assets and liabilities

(a) Unrecognized deferred tax assets and liabilities have not been recognized in respect of the following items:

(000's)	December 31, 2016	December 31, 2015
Deductible temporary differences	$ -	$ 19
Tax losses	777	419
Balance, end of year	$ 777	$ 438

Tax losses not recognized expire in 2028 and beyond. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the subsidiary of the Corporation can utilize the benefits.

(b) The Corporation has non-capital losses for Canadian tax purposes of $3,528,000 available to reduce future taxable income in Canada, and non-capital losses for United States tax purposes of $877,000 available to reduce future taxable income in the United States, which will expire as follows:

(000's)	Amount
2017	$ -
2018	-
2019	-
2020	-
2021 and beyond	4,405
	$ 4,405

The components of net deferred tax asset (liability) recognized are as follows:

	Assets		Liabilities		Net	
(000's)	2016	2015	2016	2015	2016	2015
Property, plant and equipment	$ 30	$ -	$ (51,426)	$ (45,701)	$ (51,396)	$ (45,701)
Intangibles	2,384	2,552	(676)	-	1,708	2,552
Goodwill	2,180	2,337	(151)	(151)	2,029	2,186
Non-capital loss carry forwards	479	302	-	-	479	302
Net capital loss carry forwards	241	283	-	-	241	283
Restructuring costs	37	48	-	-	37	48
Asset retirement obligation	3,514	2,691	-	-	3,514	2,691
Reserves	22	148	(82)	(261)	(60)	(113)
Foreign exchange adjustments	4	-	-	-	4	-
Share issue costs	692	925	-	-	692	925
Deferred tax asset					-	283
Deferred tax liability					(42,752)	(37,110)
					$ (42,752)	$ (36,827)

11. Income Taxes (continued)

Movements in temporary differences during the year ended December 31, 2016 are as follows:

(000's)	December 31, 2015	Recognized in profit and loss	Recognized in equity	Recognized from acquisition	December 31, 2016
Property, plant and equipment	$ (45,701)	$ (2,747)	$ -	$ (2,948)	$ (51,396)
Intangibles	2,552	(459)	-	(385)	1,708
Goodwill	2,186	(157)	-	-	2,029
Non-capital loss carry forwards	302	(90)	-	267	479
Net capital loss carry forwards	283	(42)	-	-	241
Restructuring costs	48	(11)	-	-	37
Asset retirement obligation	2,691	823	-	-	3,514
Reserves	(113)	53	-	-	(60)
Foreign exchange adjustments	-	4	-	-	4
Share issue costs	925	(248)	15	-	692
	$ (36,827)	$ (2,874)	$ 15	$ (3,066)	$ (42,752)

Movements in temporary differences during the year ended December 31, 2015 are as follows:

(000's)	December 31, 2014	Recognized in profit and loss	Recognized in equity	December 31, 2015
Property, plant and equipment	$ (37,221)	$ (8,480)	$ -	$ (45,701)
Intangibles	2,563	(11)	-	2,552
Goodwill	2,195	(9)	-	2,186
Deferred partnership income	(3,501)	3,501	-	-
Non-capital loss carry forwards	414	(112)	-	302
Net capital loss carry forwards	558	(275)	-	283
Restructuring costs	50	(2)	-	48
Asset retirement obligation	1,435	1,256	-	2,691
Reserves	782	(895)	-	(113)
Foreign exchange adjustments	-	(12)	-	-
Share issue costs	-	-	925	925
	$ (32,725)	$ (5,039)	$ 925	$ (36,827)

12. Trade and other receivables

(000's)	December 31, 2016	December 31, 2015
Trade receivables	$ 33,716	$ 33,325
Accrued receivables	10,058	8,332
Construction receivables	7,242	9,270
Loans and other receivables	6,548	159
Receivables due from related parties	23	32
	57,587	51,118
Allowance for doubtful accounts	(1,043)	(2,240)
Trade and other receivables	$ 56,544	$ 48,878

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. The Corporation estimates that the carrying value of financial assets within trade and other receivables approximate their fair value.

13. Inventories

(000's)	December 31, 2016	December 31, 2015
Raw materials	$ 2,290	$ 4,467
Finished goods	2,969	6,849
	$ 5,259	$ 11,316

14. Property, Plant and Equipment

Cost *(000's)*	Balance December 31, 2015	Additions	Disposals	Additions from business combinations	Impact of Foreign Translation	Balance December 31, 2016
Camp facilities, setup & installation	$ 470,307	$ 20,401	$ (60,347)	$ 26,095	$ (4)	$ 456,452
Land & Buildings	55,105	7,829	(680)	87	-	62,341
Automotive & trucking equipment	44,684	67	(583)	87	-	44,255
Mats	18,594	8,386	(7,026)	-	-	19,954
Furniture, fixtures & other equipment	8,063	621	(575)	184	-	8,293
Asset retirement obligations	9,326	4,447	(1,081)	-	-	12,692
Assets under construction	8,482	(7,030)	-	-	-	1,452
	$ 614,561	$ 34,721	$ (70,292)	$ 26,453	$ (4)	$ 605,439

Accumulated Depreciation *(000's)*	Balance December 31, 2015	Depreciation	Disposals	Impact of Foreign Translation	Balance December 31, 2016
Camp facilities, setup & installation	$ 159,758	$ 34,460	$ (37,019)	$ (2)	$ 157,197
Land & Buildings	9,961	1,890	739	-	12,590
Automotive & trucking equipment	25,264	4,973	(554)	-	29,683
Mats	13,135	3,832	(3,658)	-	13,309
Furniture, fixtures & other equipment	4,890	1,198	(1,091)	-	4,997
Asset retirement obligations	2,826	2,495	(429)	-	4,892
Assets under construction	-	-	-	-	-
	$ 215,834	$ 48,848	$ (42,012)	$ (2)	$ 222,668

Carrying Amounts *(000's)*	Balance December 31, 2015	Balance December 31, 2016
Camp facilities, setup & installation	$ 310,549	$ 299,255
Land & Buildings	45,144	49,751
Automotive & trucking equipment	19,420	14,572
Mats	5,459	6,645
Furniture, fixtures & other equipment	3,173	3,296
Asset retirement obligations	6,500	7,800
Assets under construction	8,482	1,452
	$ 398,727	$ 382,771

14. Property, Plant and Equipment (continued)

Cost *(000's)*	Balance December 31, 2014	Additions	Disposals	Impact of Foreign Translation	Balance December 31, 2015
Camp facilities, setup & installation	$ 454,094	$ 28,808	$ (12,617)	$ 22	$ 470,307
Land & Buildings	46,552	8,584	(31)	-	55,105
Automotive & trucking equipment	46,022	1,588	(2,926)	-	44,684
Mats	14,138	9,648	(5,192)	-	18,594
Furniture, fixtures & other equipment	6,566	1,810	(313)	-	8,063
Asset retirement obligation	5,316	4,530	(520)	-	9,326
Assets under construction	4,477	4,005	-	-	8,482
	$ 577,165	$ 58,973	$ (21,599)	$ 22	$ 614,561

Accumulated Depreciation *(000's)*	Balance December 31, 2014	Depreciation	Disposals	Impairment loss	Balance December 31, 2015
Camp facilities, setup & installation	$ 130,868	$ 36,977	$ (8,097)	$ 10	$ 159,758
Land & Buildings	8,137	1,840	(16)	-	9,961
Automotive & trucking equipment	22,450	5,493	(2,679)	-	25,264
Mats	9,174	6,728	(2,767)	-	13,135
Furniture, fixtures & other equipment	3,647	1,549	(306)	-	4,890
Asset retirement obligation	1,759	1,377	(310)	-	2,826
Assets under construction	-	-	-	-	-
	$ 176,035	$ 53,964	$ (14,175)	$ 10	$ 215,834

Carrying Amounts *(000's)*	Balance December 31, 2014	Balance December 31, 2015
Camp facilities, setup & installation	$ 323,226	$ 310,549
Land & Buildings	38,415	45,144
Automotive & trucking equipment	23,572	19,420
Mats	4,964	5,459
Furniture, fixtures & other equipment	2,919	3,173
Asset retirement obligation	3,557	6,500
Assets under construction	4,477	8,482
	$ 401,130	$ 398,727

Included in additions and set out in Note 5 are assets acquired in the Karoleena Inc. business combination as at the acquisition date of June 1, 2016 and assets acquired in the Empire Camp Equipment Ltd. business combination as at the acquisition date of August 23, 2016.

During the second quarter of 2016, the Corporation's Blacksands Executive Lodge ("Blacksands") was destroyed by the Northern Alberta wildfires. The Corporation derecognized, as part of disposals, a net book value of $18,256,000 relating to the destroyed assets. The Blacksands assets were insured for an amount representing market value and the Corporation is virtually certain the total insurance proceeds will be at least equal to the net book value of the disposed assets. At December 31, 2016, the Corporation recognized insurance proceeds to an amount equal to net book value of the disposed assets of which $4,753,000 is recorded within trade and other receivables.

14. Property, Plant and Equipment (continued)

(a) Assets under construction

At December 31, 2016, included in capital assets under construction is software and internal information technology projects under development as well as fleet equipment under construction for both maintenance and expansion purposes. At December 31, 2015, the Corporation had fleet equipment under construction for both maintenance and expansion purposes. The Corporation has not capitalized any borrowing costs for the twelve months ended December 31, 2016 (2015 - $nil), due to the short term nature of construction.

(b) Capital commitments

At December 31, 2016 the Corporation had no outstanding commitments to purchase property, plant and equipment (2015 - $nil).

(c) Impairment indicators

For the purpose of impairment testing, the Corporation's assets are grouped and reviewed at the CGU level which represent the lowest level at which cash flows are generated.

The Corporation reviews the carrying value of the Property, Plant and Equipment assets at each reporting period for indications of impairment and considers both qualitative and quantitative factors when determining whether an asset or CGU may be impaired. During the year ended December 31, 2016 the Corporation determined that the market environment it operates in has experienced lower activity levels which is forecasted to have an adverse effect on the operations in 2017. In addition, the carrying amount of the net assets of the Corporation were greater than the market capitalization which was considered an indicator of impairment. The above indicators of impairment were noted for the Camps & Catering, Matting, Relocatable Structures and Manufacturing CGUs.

(d) Impairment testing for cash-generating units

The recoverable amounts of the CGUs were determined based on value in use calculation using discounted future cash flows generated from the continuing use of the unit over a five year period which incorporates the Corporation's 2017 forecast approved by the Board of Directors and estimated growth rates in subsequent years. The calculation of the value in use was based on the following key assumptions:

- The approved 2017 forecast uses current contracts and market conditions to project revenue. Costs are calculated using historical gross margins and additional known or pending factors.
- The projections were based on a five year forecasted cash flow and extrapolated over the remaining useful life of the primary assets of 15 years and discounted at a pre-tax rate of 13.96% (2015 – 15%) for all CGUs. The discount rate was estimated based on the Corporation's weighted average cost of capital, taking into account the nature of the assets being valued and their specific risk profile.
- Based on management's best estimates at December 31, 2016, a historic five year average utilization, direct labour hours, revenue per rentable day and profit margins, plus a 2% price inflation per year, were used to project cash flows from 2018 to 2021 in the Camps & Catering, Matting, and Relocatable Structure CGU's. Based on management's best estimate at December 31, 2016 a 5% to 15% growth rate was used to project the cash flows from 2018 to 2021 for the Manufacturing CGU.
- The cash flows beyond 2021 have been extrapolated using a 2% per annum growth rate.
- The forecasted cash flows are based on management's best estimates of future pricing, asset utilization, rates for available equipment and costs to maintain that equipment.

The results of the tests indicated no impairment for the Camps & Catering, Matting, Relocatable Structures, and Manufacturing CGU's as at December 31, 2016 (2015 –$1,664,000 impairment to the Camps & Catering CGU).

The most sensitive inputs to the value in use model used for all CGUs are the discount rate, inflation rate and the growth rate:

- All else being equal, a 1.0% increase in the discount rate for the Matting CGU would have resulted in the recoverable amount exceeding the carrying amount by $5.7 million. All else being equal, a 1.0% increase in the discount rate for the Camps & Catering, Relocatable Structure, and Manufacturing CGU's would have resulted in the carrying amount exceeding the recoverable amount by $7.8 million, $0.2 million, and $1.9 million, respectively.

14. Property, Plant and Equipment (continued)

(d) Impairment testing for cash-generating units (continued)

- All else being equal, a 0.5% decrease in the inflation rates would have resulted in the recoverable amount exceeding the carrying amount for the Camps & Catering, Matting, and Relocatable Structure CGU's by $11.7 million, $6.4 million, and $2.1 million, respectively.
- All else being equal, a 1.0% decrease in the growth rate would have resulted in the carrying amount exceeding the recoverable amount for the Manufacturing CGU by $2.9 million.

15. Intangible Assets and Goodwill

Intangible assets, other than goodwill, have finite useful lives. The amortization charges for intangible assets are included on the consolidated statement of comprehensive loss. Goodwill has an infinite life and is not amortized.

Cost *(000's)*	Balance December 31, 2015	Additions	Additions from business combinations	Balance December 31, 2016
Trade names	$ -	$ -	$ 1,590	$ 1,590
Architectural design	-	-	439	439
Customer contracts	-	-	6,053	6,053
Total intangible	$ -	$ -	$ 8,082	$ 8,082

Amortization *(000's)*	Balance December 31, 2015	Amortization	Balance December 31, 2016
Trade names	$ -	$ 134	$ 134
Architectural design	-	51	51
Customer contracts	-	807	807
Total intangible	$ -	$ 992	$ 992

Carrying Amount *(000's)*	Balance December 31, 2015	Balance December 31, 2016
Trade names	$ -	$ 1,456
Architectural design	-	388
Customer contracts	-	5,246
Total intangible	$ -	$ 7,090

Goodwill *(000's)*	Balance December 31, 2015	Balance December 31, 2016
Balance – beginning of year	$ 1,664	$ -
Additions through business combinations (Note 5a)	-	3,313
Additions through business combinations (Note 5b)	-	17,035
Impairment of goodwill	(1,664)	-
	$ -	$ 20,348

15. Intangible Assets and Goodwill (continued)

(a) Impairment loss

Intangible assets with an indefinite useful life are required to be tested annually for impairment. The Corporation considers both qualitative and quantitative factors when determining whether an asset or CGU may be impaired.

(b) Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Corporation's CGU which represent the lowest level at which goodwill is monitored for internal management purposes and which are not higher than the Corporation's operating segments. At December 31, 2016 the carrying amount of Goodwill totaling $17,035,000 was allocated to the Camps & Catering CGU as a result of the Empire Camp Equipment Ltd acquisition and $3,313,000 was allocated to the Manufacturing CGU as a result of the Karoleena acquisition.

The recoverable amounts of the CGU's were determined based on a value in use calculation which was determined by discounting future cash flows generated from the continuing use of the unit on a five year forecast which incorporates the Corporation's 2017 forecast approved by the Board of Directors. The calculation of the value in use was based on the same key assumptions disclosed in Note 14(d).

The results of the tests indicated no impairment for the Camps & Catering and Manufacturing CGU's at December 31, 2016 (2015 –$1,664,000 impairment to the Camps & Catering CGU)

16. Other Assets

The Corporation's other assets consists of a 25 year prepaid lease for a building and land to accommodate a portion of the Corporation's manufacturing operations in Kamloops, British Columbia with a carrying amount of $2,169,000 (2015 - $2,301,000). The amount expensed during the year ended December 31, 2016 related to the prepaid lease was $132,000 (2015 - $127,000) with 18 years remaining. Also included in other assets at December 31, 2016 is a $nil (2015 - $674,000) equity accounted investment in Arctic Oil & Gas Services Inc. ("AOGS") a joint venture that is 50% owned by the Corporation.

17. Loans and Borrowings

(000's)	December 31, 2016	December 31, 2015
Committed credit facility	$ 75,268	$ 57,527

The carrying value of Horizon's debt approximates its fair value, as the majority of the debt bears interest at variable rates which approximates market rates.

The Corporation's committed credit facility ("Credit Facility") has an available limit of $200,000,000 and is secured by a $400,000,000 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 facility. The Credit Facility is subject to the following financial covenants:

	Covenants Calculation December 31, 2016	**Debt Covenants**
Maximum Consolidated Senior debt [(1)] to Consolidated EBITDAS ratio [(3)(4)]	2.46:1.00	3.00:1.00 or less
Maximum Consolidated Total debt [(2)] to Consolidated EBITDAS ratio [(3)(5)]	2.46:1.00	4.25:1.00 or less
Minimum Consolidated Interest coverage ratio[(6)]	12.7:1.00	3.00:1.00 or more

(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, earnings from equity investments, and share based compensation) is not a recognized measure under IFRS. Management believes that in addition to net earnings, EBITDAS is a useful supplemental measure as it provides an indication of the Corporation's ability to generate cash flow in order to fund working capital, service debt, pay current income taxes and fund capital programs, and it is regularly provided to and reviewed by the Chief Operating Decision Maker. Horizon North's method of calculating EBITDAS may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities.
(4) Senior debt to EBITDAS is calculated as the ratio of senior debt to trailing 12 months EBITDAS, and 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, and includes Empire Camp Equipment Ltd. and Karoleena Inc.
(6) Interest coverage is calculated as the ratio of trailing 12 months EBITDAS to 12 months trailing interest expense on loans and borrowings.

17. Loans and Borrowings (continued)

As at December 31, 2016, the Corporation was in compliance with all financial and non-financial covenants related to the Credit Facility.

Principal Repayments for Loans and Borrowings

(000's)	Amount
2017	$ -
2018	75,268
2019	-
2020	-
2021 and beyond	-
	$ 75,268

18. Asset retirement obligations and commitments

(a) Provisions include constructive site restoration obligations for camp projects to restore lands to previous condition when camp facilities are dismantled and removed.

(000's)	December 31, 2016	December 31, 2015
Balance, beginning of year	$ 10,048	$ 5,890
Additions	3,303	1,305
Discount rate change	(148)	725
Accretion of provisions	88	211
Asset retirement obligations incurred	(1,501)	-
Revisions	1,292	1,917
Balance, end of year	$ 13,082	$ 10,048

The estimated present value of rehabilitating the sites at the end of their useful lives has been estimated using existing technology, at inflated prices, and discounted using a risk free rate. The future value amount at December 31, 2016 was $13,889,000 (2015 - $11,122,000) and determined using risk free interest rates of 0.80% to 1.59% (2015 - 0.48% to 2.0%) and an inflation rate of 2.0% (2015 – 1.0%). The timing of these payments is dependent on various factors, such as the estimated lives of the equipment and industry activity in the region, but is anticipated to occur between 2017 and 2025.

(000's)	December 31, 2016	December 31, 2015
Current	$ 1,665	$ 985
Non-current	11,417	9,063
Balance, end of year	$ 13,082	$ 10,048

(b) The Corporation has outstanding bank letters of credit as follows:

Maturity date	Amount *(000's)*
July 18, 2017	$ 5
September 26, 2017	15
September 29, 2017	84
November 2, 2017	74
February 1, 2018	50

18. Asset retirement obligations and commitments (continued)

(c) The Corporation rents premises and equipment under multiple operating lease contracts with varying expiration dates. The minimum lease payments under these leases over the next five years and beyond are as follows:

(000's)	Amount
2017	$ 2,626
2018	1,848
2019	1,271
2020	900
2021 and beyond	1,859
	$ 8,504

19. Share Capital

(a) Authorized

Unlimited number of voting common shares without nominal or par value.
Unlimited number of preferred shares issuable in series.

(b) Issued

	Number	Amount *(000's)*
Balance at December 31, 2014	110,501,651	$ 185,592
Share options exercised	600,000	2,799
Bought-deal equity financing	21,505,000	80,644
Share issue costs, net of tax of $1.1M	-	(3,168)
Balance at December 31, 2015	132,606,651	$ 265,867
Common shares issued	12,015,355	20,842
Share issue costs, net of tax	-	(35)
Balance at December 31, 2016	144,622,006	$ 286,674

On June 1, 2016, the Corporation acquired 100% of the issued and outstanding shares of Karoleena Inc. for an aggregate purchase price of $4,590,000 including the issuance of 1,182,022 common shares of the Corporation (Note 5a).

On August 23, 2016, the Corporation acquired 100% of the issued and outstanding shares of Empire Camp Equipment Ltd. for an aggregate purchase price of $47,367,000 including the issuance of 10,833,333 common shares of the Corporation (Note 5b).

On July 8, 2015, the Corporation closed a bought deal equity financing agreement with a syndicate of underwriters that purchased 21,505,000 common shares of the Corporation for resale to the public, including overallotment, at a price of $3.75 per common share for gross proceeds of $80,643,750. In connection with the offering, the Corporation incurred approximately $4,317,000 in transaction costs which included $4,032,000 in agent fees. Total transaction costs, net of tax, were applied against the proceeds in share capital during the year ended December 31, 2015.

19. Share Capital (continued)

(c) Share option plan

The Corporation has a share option plan for its directors, officers, and key employees whereby options may be granted, to a maximum of 10% of the issued and outstanding common shares, subject to terms and conditions. Share option vesting privileges are at the discretion of the Board of Directors and were set at three years. The Corporation uses graded vesting for share options over the period in which the option vests. All share options are equity settled with a weighted average remaining contractual life of 2.6 years and all options granted have a maximum term of 5 years.

	Year ended December 31, 2016		Year ended December 31, 2015	
	Outstanding options	Weighted average exercise price	Outstanding options	Weighted average exercise price
Balance, beginning of year	7,353,154	$ 4.84	5,319,987	$ 6.47
Granted	1,800,000	1.27	3,655,000	2.37
Forfeited	(767,417)	3.99	(1,021,833)	5.34
Exercised	-	-	(600,000)	3.35
Balance, end of year	8,385,737	$ 4.15	7,353,154	$ 4.84

	Year ended December 31, 2016		Year ended December 31, 2015	
	Exercisable options	Weighted average exercise price	Exercisable options	Weighted average exercise price
Balance, beginning of year	2,709,455	$ 6.59	2,043,706	$ 5.41
Vested	1,817,870	4.35	1,676,047	6.78
Forfeited	(358,730)	5.40	(410,298)	6.21
Exercised	-	-	(600,000)	3.35
Balance, end of year	4,168,595	$ 5.71	2,709,455	$ 6.59

The exercise prices for options outstanding and exercisable at December 31, 2016 are as follows:

	Total options outstanding			Exercisable options	
Exercise price per share	Number	Weighted average exercise price per share	Weighted average remaining contractual life in years	Number	Weighted average exercise price per share
$1.16 to $2.06	1,655,000	$ 1.28	4.3	-	$ -
$2.07 to $2.34	2,680,500	2.30	3.2	893,476	2.30
$2.35 to $6.27	2,102,686	5.64	0.9	1,847,848	5.99
$6.28 to $7.29	245,000	6.76	1.3	245,000	6.76
$7.30 to $9.01	1,702,551	7.64	2.4	1,182,271	7.65
	8,385,737	$ 4.15	2.6	4,168,595	$ 5.71

No share options were exercised during the year ended December 31, 2016. The weighted average share price at the date of exercise for share options exercised during the year ended December 31, 2015 was $3.95/share.

19. Share Capital (continued)

(c) Share option plan (continued)

The Corporation calculated the fair value of the share options granted using the Black-Scholes pricing model to estimate the fair value of the share options issued at the date of grant. The weighted average fair market value of all options granted during the year and the assumptions used in their determination are as follows:

	December 31, 2016	December 31, 2015
Weighted average fair value per option	$ 0.37	$ 0.30
Weighted average forfeiture rate	8.05%	7.41%
Weighted average grant price	$ 1.27	$ 2.37
Weighted average expected life	3.0 years	3.0 years
Weighted average risk free interest rate	0.58%	0.50%
Weighted average dividend yield rate	6.6%	13.7%
Weighted average volatility	61.89%	46.39%

Expected volatility is estimated by considering historic average share price volatility. For the twelve months ended December 31, 2016, share based compensation for share options included in net loss amounted to $1,014,000 (2015 - $1,717,000).

(d) Restricted share unit plan

The Corporation has a Restricted Share Unit ("RSU") plan for its directors, officers and key employees whereby RSUs may be granted, subject to certain terms and conditions. Under the terms of the RSU plan, the awarded units will vest in three equal portions on the first, second and third anniversary from the grant date, and will be settled in cash in the amount equal to the fair market value of the Corporation's stock price on that date.

The following table summarizes the RSUs outstanding:

	Number
Units outstanding at December 31, 2015	-
Granted	1,118,400
Forfeited	(67,800)
Units outstanding at December 31, 2016	1,050,600

The following table summarizes the RSUs fair value per unit at the time of issuance and as at December 31, 2016:

	Units Issued	Fair Value at Grant Date (per unit)	Fair Value at December 31, 2016 (per unit)
Issued on June 1, 2016	1,036,400	$ 1.69	$ 1.96
Issued on June 15, 2016	12,000	1.60	1.96
Issued on July 4, 2016	20,000	1.66	1.96
Issued on August 24, 2016	30,000	1.80	1.96
Issued on December 5, 2016	20,000	1.83	1.96

For the twelve months ended December 31, 2016, $637,000 (2015 - $Nil) was included in accounts payable and accrued liabilities for outstanding RSUs. For the twelve months ended December 31, 2016, share based compensation for RSUs included in net loss amounted to $637,000 (2015 - $Nil), with a weighted average remaining term of 2.4 years.

20. Earnings Per Share

The calculation of basic earnings per share for the twelve months ended December 31, 2016 was based on the total loss attributable to common shareholders of $20,316,000 (2015 - $832,000).

A summary of the common shares used in calculating earnings per share for the twelve months ended December 31, 2016 and 2015 is as follows:

	2016	2015
Number of common shares, beginning of period	132,606,651	110,501,651
Weighted average effect of share options exercised	-	320,548
Weighted average effect of common shares issued	4,568,632	10,369,534
Weighted average common shares outstanding – basic	137,175,283	121,191,733
Effect of share purchase options[(1)]	-	-
Weighted average common shares outstanding – diluted	137,175,283	121,191,733

(1) The Corporation utilizes the treasury stock method for calculating the dilutive effect of share purchase options when the average market price of the Corporation's common stock during the period exceeds the exercise price of the option

For the twelve months ended December 31, 2016, 8,385,737 share options (2015 - 4,741,944) were excluded from the calculation of weighted average common shares outstanding - diluted as the result would be anti-dilutive.

21. Dividends

For the twelve months ended December 31, 2016, the Corporation paid dividends totaling $13,525,000 (December 31, 2015 - $37,177,000).

(000's except per share amounts)	**2016**		**2015**	
Record Date	Amount per share	Total dividend amount	Amount per share	Total dividend amount
March 31	$ 0.02	$ 2,652	$ 0.08	$ 8,840
June 30	0.02	2,676	0.08	8,888
September 30	0.02	2,892	0.08	10,609
December 31	0.02	2,892	0.04	5,304
	$ 0.08	$ 11,112	$ 0.28	$ 33,641

On March 1, 2017, the Corporation's Board of Directors declared a dividend for the first quarter of 2017 at $0.02 per share. The dividend is payable to shareholders of record at the close of business on March 31, 2017 to be paid on April 13, 2017.

22. Financial 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; as a result, the Corporation's maximum exposure to credit risk is the amount of trade and other receivables and cash and cash equivalents. The Corporation's practice is to manage credit risk by examining each new customer individually for credit worthiness before the Corporation's standard payment terms are offered. The Corporation's review may include financial statement review, credit references, or bank references. Customers that lack credit worthiness transact with the Corporation on a prepayment only basis.

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

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

(000's)	December 31, 2016	December 31, 2015
Neither impaired nor past due	$ 22,066	$ 24,283
Outstanding 31-60 days	6,522	6,345
Outstanding 61-90 days	1,750	1,045
Outstanding more than 90 days	3,401	1,684
Total	33,739	33,357
Accrued revenue	10,058	8,332
Construction receivables	7,242	9,270
Other receivables	6,548	159
Allowance for doubtful accounts	(1,043)	(2,240)
Total trade and other receivables	$ 56,544	$ 48,878

In the twelve months ended December 31, 2016, the Corporation provided an allowance for $1,043,000 of receivables aged greater than 90 days and collected $4,000 that had previously been allowed for. The Corporation also applied $1,501,000 of allowance for doubtful accounts against the associated receivable balance. As at March 1, 2017, the Corporation has collected $6,318,000 on amounts outstanding more than 90 days.

Construction receivables represent progress billings to customers under open construction contracts, holdback amounts billed on construction contracts which are not due until the contract work is substantially completed, amounts recognized as revenue under open construction contracts not billed to customers and highly probable claims. At December 31, 2016, included in construction receivables were holdbacks of $7,900 (2015 - $850,500). The total of construction receivables aged less than 90 days was 95% at December 31, 2016 (2015 – 53%).

22. Financial Risk Management (continued)

(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.

As at December 31, 2016, the Corporation has $124,732,000 of available room on its committed credit facility (Note 17). The following shows the timing of cash outflows relating to trade and other payables and loans and borrowings:

	December 31, 2016			December 31, 2015		
	Trade and other payables[(1)]	Loans and borrowings[(2)]	Total	Trade and other payables[(1)]	Loans and borrowings[(2)]	Total
2017	$ 30,200	$ -	$ 30,200	$ 31,611	$ -	$ 31,611
2018	3,248	75,268	78,516	-	57,527	57,527
2019	-	-	-	3,136	-	3,136
2020	3,121	-	3,121	-	-	-
2021 and beyond	5,048	-	5,048	5,927	-	5,927
	$ 41,617	$ 75,268	$ 116,885	$ 40,674	$ 57,527	$ 98,201

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

(2) Loans and borrowings include non-interest bearing notes payable, vehicle and equipment financing and committed 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 a foreign operational entity with USD functional currency.

As the foreign currency exchange risks are primarily based on the realized foreign exchange, the following sensitivity analysis is to determine the impact on cash used in operating activities. The effect of a $0.01 increase in the USD/CAD exchange rate would decrease cash used in operating activities for the twelve months ended December 31, 2016 by approximately $26,000 (December 31, 2015 - $83,000). 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 on a grid pricing structure based on the Corporation's debt to EBITDAS ratio. Amounts drawn on the credit facility incur interest at bank prime plus 0.50% to 1.75% or the Bankers' Acceptance rate plus 1.50% to 2.75%. If prime were to have increased by 1.00%, it is estimated that the Corporation's net earnings would have decreased by approximately $687,000 for the twelve months ended December 31, 2016 (December 31, 2015 - $886,000). 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.

23. Capital Management

The Corporation's main objective is to build a profitable, growth-oriented company. Therefore, the Corporation's primary capital management objective is to maintain a conservative balance sheet to maintain investor, creditor, and market confidence and to sustain future development of the business.

The Corporation monitors capital through two key ratios: total loans and borrowings to EBITDAS*(1)* and total loans and borrowings to total loans and borrowings plus shareholders' equity.

Total loans and borrowings to EBITDAS*(1)* is calculated as current loans and borrowings plus long-term loans and borrowings divided by trailing 12 months EBITDAS*(1)*. Total loans and borrowings to EBITDAS*(1)* is monitored from both a historical and anticipated EBITDAS*(1)* perspective.

Total loans and borrowings to total loans and borrowings plus shareholders equity is calculated as current loans and borrowings plus long-term loans and borrowings divided by current loans and borrowings plus long-term loans and borrowings plus shareholders' equity.

The Corporation's strategy during the twelve months ended December 31, 2016, which was unchanged from 2015, is to maintain an appropriate level of loans and borrowings in comparison to EBITDAS*(1)* and total loans and borrowings plus shareholders' equity.

(000's)	December 31, 2016	December 31, 2015
Statement of financial position components of ratios		
Current loans and borrowings*(2)*	$ -	$ -
Loans and borrowings*(2)*	75,268	57,527
Total loans and borrowings	75,268	57,527
Shareholders' equity	323,687	333,361
Total loans and borrowings plus shareholders' equity	$ 398,955	$ 390,888
Statement of comprehensive income components of ratios (trailing 12 months)		
Operating (loss) earnings	$ (22,204)	$ 4,778
Depreciation	48,848	53,964
Amortization	992	-
Impairment loss	-	1,664
(Gain) loss on disposal of property, plant and equipment	(626)	337
Share based compensation	1,651	1,717
EBITDAS*(1)*	$ 28,661	$ 62,460
Total loans and borrowings to EBITDAS*(1)*	2.63	0.92
Total loans and borrowings to total loans and borrowings plus shareholders' equity	0.19	0.15

(1) EBITDAS (Earnings before interest, taxes, depreciation, amortization, gain/loss on disposal of property, plant and equipment, earnings from equity investments, and share based compensation) is not a recognized measure under IFRS. Management believes that in addition to net earnings, EBITDAS is a useful supplemental measure as it provides an indication of the Corporation's ability to generate cash flow in order to fund working capital, service debt, pay current income taxes and fund capital programs, and it is regularly provided to and reviewed by the Chief Operating Decision Maker. Horizon North's method of calculating EBITDAS may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities.

(2) The Corporation's loans and borrowings include the committed credit facility, vehicle and equipment financing and notes payable. The Corporation's variable-rate committed credit facility approximates its carrying value, as it is at a floating market rate of interest. The Corporation's notes payables and vehicle and equipment financing are non-interest bearing without a fixed term of repayment and have been initially measured at fair value.

24. Operating segments

Effective April 1, 2016, the Corporation re-aligned its operating segments to better reflect how information is reported internally to the Chief Operating Decision Maker. Previously, the segments were disclosed as Camps & Catering and Matting. The re-alignment of the operating segments transferred the relocatable structures rental operations into the existing Matting operating segment. The Corporation continues to operate in Canada and the United States through its re-aligned operating segments: Camps & Catering and Rentals & Logistics.

The Camps & Catering segment combines the camps and catering operations, the manufacturing operations and the associated services. The Rentals & Logistics segment combines all other rental operations; mat rental operations, relocatable structures rental operations, transportation operations and the associated services. Corporate includes the costs of head office administration, interest costs, taxes, other corporate costs and residual assets and liabilities.

The prior period comparative figures have been reclassified to conform to the new operating segments. The changes to the operating segments had an impact on the segment information reported but did not change any of the aggregate financial information reported.

Throughout 2016, the Corporation transformed its organizational structure to reflect the new operating strategy of focusing on different customer groups for its products. At the start of 2017, the Corporation is structured into two business units; Industrial and Modular Construction. The Corporation plans to begin reporting in three operating segments in the first quarter of 2017 to reflect the changes in how the Chief Operating Decision Maker monitors and allocates resources to the operations. The three operating segments will be Camps & Catering, Rentals & Logistics and Modular Construction.

Information regarding the results of all segments is included below. Inter-segment pricing is determined on an arm's length basis.

Twelve months ended December 31, 2016 *(000's)*	Camps & Catering	Rentals & Logistics	Corporate	Inter-segment Eliminations	Total
Revenue	$ 212,618	$ 38,317	$ -	$ -	$ 250,935
EBITDAS[(1)]	30,822	9,356	(11,517)	-	28,661
Depreciation and amortization	37,920	11,083	915	(78)	49,840
Impairment loss	-	-	-	-	-
(Gain) on disposal of assets	(350)	(199)	(19)	(58)	(626)
Share based compensation	525	165	961	-	1,651
Operating (loss) earnings	(7,273)	(1,693)	(13,374)	136	(22,204)
Total assets	409,823	66,096	9,182	-	485,101
Capital expenditures	25,354	4,242	677	-	30,273

Twelve months ended December 31, 2015 *(000's)*	Camps & Catering	Rentals & Logistics	Corporate	Inter-segment Eliminations	Total
Revenue	$ 314,536	$ 56,594	$ -	$ (1,241)	$ 369,889
EBITDAS[(1)]	60,252	15,175	(12,967)	-	62,460
Depreciation and amortization	38,717	14,449	931	(133)	53,964
Impairment loss	1,664	-	-	-	1,664
Loss (gain) on disposal of assets	544	(207)	-	-	337
Share based compensation	760	211	746	-	1,717
Operating earnings (loss)	18,567	722	(14,644)	133	4,778
Total assets	383,280	79,066	5,979	1,179	469,504
Capital expenditures	26,928	27,093	422	-	54,443

The Corporation has one major customer in the Camps & Catering segment which generated 11% of total revenues for the year ended December 31, 2016 (December 31, 2015 – two customers generated 25%).

(1) EBITDAS (Earnings before interest, taxes, depreciation, amortization, gain/loss on disposal of property, plant and equipment, earnings from equity investments, and share based compensation) is not a recognized measure under IFRS. Management believes that in addition to net earnings, EBITDAS is a useful supplemental measure as it provides an indication of the Corporation's ability to generate cash flow in order to fund working capital, service debt, pay current income taxes and fund capital programs, and it is regularly provided to and reviewed by the Chief Operating Decision Maker. Horizon North's method of calculating EBITDAS may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities.

25. Related Parties

(000's)	December 31, 2016	December 31, 2015
Joint venture		
Recovery of administrative overhead	$ 60	$ 60
Included in accounts receivable	23	32
Key management personnel interests		
Sales	$ 1,320	$ 3,062
Included in accounts receivable	-	54

The Corporation earned a management fee for the year ended December 31, 2016 of $60,000 (2015 - $60,000) for the recovery of administrative overhead related to accounting and management services provided to Arctic Oil & Gas Services Ltd ("AOGS"), a joint venture that is 50% owned by the Corporation.

AOGS earned revenue during the year ended December 31, 2016 of $1,319,000 (2015 – $2,134,000) for catering services provided to E. Gruben's Transport Ltd, of which a director of the Corporation is the Chief Executive Officer. The amounts included in trade receivables of AOGS as at December 31, 2016 is $Nil (2015 – $54,000).

The Corporation earned revenue during the year ended December 31, 2016 of $1,000 (2015 – $928,000) for catering services provided to Canyon Services Group Inc., of which a director of the Corporation is the Chief Executive Officer. There were no amounts included in trade receivables as at December 31, 2016 (2015 - $Nil)

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

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. Key management personnel of the Corporation include its executive officers and the board of directors.

Key management personnel compensation for the year ended December 31, 2016 and 2015 is comprised as follows:

(000's)	December 31, 2016	December 31, 2015
Short-term employee benefits	$ 2,143	$ 2,501
Post-employment benefits	61	106
Share based compensation	749	552
	$ 2,953	$ 3,159

26. Supplemental Information

Components of change in non-cash working capital balances related to operating activities:

(000's)	December 31, 2016	December 31, 2015
Trade and other receivable	$ (2,912)	$ 67,196
Inventories	6,057	3,340
Prepayments	(281)	(65)
Trade and other payables	(316)	(21,415)
Deferred revenue	945	(1,436)
Acquired working capital	(335)	-
Finance cost payable	96	(189)
	$ 3,254	$ 47,431

27. Significant Subsidiaries

The consolidated financial statements of the Corporation, include the accounts of its one wholly-owned partnership, as well as five special purpose entities:

Subsidiary Name	Country of Incorporation	Ownership Interest (%) December 31, 2016	Ownership Interest (%) December 31, 2015
Horizon North Camp & Catering Partnership (“Partnership”)	Canada	100	100
Kitikmeot Caterers Ltd (“Kitikmeot”)	Canada	49	49
Acho Horizon North Camp Services Limited Partnership (“Acho”)	Canada	49	49
Secwepemc Camps & Catering Limited Partnership (“Secwepemc”)	Canada	49	49
Halfway River Horizon North Limited Partnership (“HRHN”)	Canada	49	49
Two Lakes Horizon North Limited Partnership (“TLHN”)	Canada	49	-

The Partnership is the primary operating entity of the Corporation.

(a) Special purpose entities

The Corporation has a 49% interest in the ownership and voting rights of Kitikmeot, Acho, Secwepemc, HRHN, and TLHN and maintains two out of four board of director seats in these special purpose entities (“SPE”). These SPE’s are consolidated when, based on an evaluation of the substance of its relationship with the Corporation and the SPE’s risks and rewards, the Corporation concludes that it controls the SPE. The SPE’s do not generate profit but rather have limited assets and the only non-flow through expenses are management fees paid to the partners. An aboriginal billing vehicle or partnership is required to achieve aboriginal participation and secure projects in specific regions of Canada. The Corporations control is established under terms that impose strict limitations on the decision-making powers of the SPE’s management. The control results in the Corporation receiving the majority of the benefits related to the SPE’s operations and net assets, being exposed to the majority of risks incident to the SPE’s activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

The summarized aggregate financial information of the special purpose entities is provided below.

(000’s)	Total Assets	Total Liabilities	Revenue	Profit or (Loss)
Kitikmeot Caterers Ltd	$ 1,436	$ 1,436	$ 4,033	$ -
Acho Horizon North Camp Services Limited Partnership	1,359	1,359	8,950	-
Secwepemc Camps & Catering Limited Partnership	1,308	1,308	3,968	-
Halfway River Horizon North Limited Partnership	2,320	2,320	9,151	-
Two Lakes Horizon North Limited Partnership	3,012	3,012	6,759	-
December 31, 2016	$ 9,435	$ 9,435	$ 32,861	$ -

(000’s)	Total Assets	Total Liabilities	Revenue	Profit or (Loss)
Kitikmeot Caterers Ltd	$ 918	$ 918	$ 3,160	$ -
Acho Horizon North Camp Services Limited Partnership	2,981	2,981	15,296	-
Secwepemc Camps & Catering Limited Partnership	1,661	1,661	9,169	-
Halfway River Horizon North Limited Partnership	1,769	1,769	1,739	-
December 31, 2015	$ 7,329	$ 7,329	$ 29,364	$ -

28. Subsequent Event

On February 14, 2017, the Corporation received from insurers an additional payment of $10,000,000 relating to the Blacksands insurance claim which increased the total amount received in advance payments to $25,000,000. The Corporation and its insurers achieved a final settlement of $34,100,000 on February 28, 2017, with the final payment anticipated by the end of Q1 2017.

Corporate Information

Directors

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Calgary, Alberta

Dale E. Tremblay[2][3]
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Calgary, Alberta

Mary Garden[1][3]
Victoria, British Columbia

Richard T. Ballantyne[1][2]
Salt Spring Island, British Columbia

Rod Graham
Calgary, Alberta

Russell Newmark[2][3]
Calgary, Alberta

(1) Audit Committee Member
(2) Health, Safety and Environment Committee Member
(3) Corporate Governance and Compensation Committee Member

Corporate Office

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Officers

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Chairman of the Board

Rod Graham
President and Chief Executive Officer

Scott Matson
Senior Vice President Finance and Chief Financial Officer

Bill Anderson
Executive Vice President QHSE

Jan Campbell
Corporate Secretary

Legal Counsel

Borden Ladner Gervais LLP
Calgary, Alberta

Auditor

KPMG LLP
Calgary, Alberta

Stock Exchange Listing

Toronto Stock Exchange
Symbol: HNL

Transfer Agent

CST Trust Company
Calgary, Alberta

HORIZON NORTH