Condensed Consolidated Interim Financial Statements of

HORIZON NORTH

Three and six months ended June 30, 2016 and 2015 (Unaudited)

HORIZON NORTH

Condensed consolidated statement of financial position (Unaudited)

(000's)	June 30, 2016	December 31, 2015
Assets		
Current assets:		
Trade and other receivables	$ 53,191	$ 48,878
Inventories	10,877	11,316
Prepayments	4,075	3,677
Income taxes receivable	6,117	3,648
Total Current assets	74,260	67,519
Non-current assets:		
Property, plant and equipment (Note 5)	366,688	398,727
Intangible assets (Note 4)	2,008	-
Goodwill (Note 4)	3,313	-
Deferred tax assets	-	283
Other assets	2,504	2,975
Total Non-current Assets	374,513	401,985
Total Assets	$ 448,773	$ 469,504
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables	$ 26,055	$ 30,626
Deferred revenue	1,482	832
Income taxes payable	12	-
Current portion of asset retirement obligation	3,162	985
Total Current liabilities	30,711	32,443
Non-current liabilities:		
Asset retirement obligations	11,659	9,063
Loans and borrowings (Note 6)	46,847	57,527
Deferred tax liabilities	37,541	37,110
Total Liabilities	126,758	136,143
Shareholders' equity:		
Share capital (Note 8)	267,526	265,867
Contributed surplus	15,082	14,451
Accumulated other comprehensive income	760	831
Retained earnings	38,647	52,212
Total Shareholders' equity	322,015	333,361
Total Liabilities and Shareholders' equity	$ 448,773	$ 469,504

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

Condensed consolidated statement of comprehensive (loss) income (Unaudited)
Three and six months ended June 30, 2016 and 2015

HORIZON NORTH

(000's)	Three months ended June 30 2016	2015	Six months ended June 30 2016	2015
Revenue	$ 52,509	$ 84,888	$ 130,418	$ 218,856
Operating expenses:				
Direct costs	44,216	68,891	104,671	167,738
Depreciation (Note 5)	12,172	13,413	24,788	26,753
Amortization of intangible assets	21	-	21	-
Share based compensation (Note 8)	107	229	291	607
Loss on disposal of property, plant and equipment (Note 5)	579	364	665	323
Direct operating expenses	57,095	82,897	130,436	195,421
Gross (loss) profit	(4,586)	1,991	(18)	23,435
Selling & administrative expenses:				
Selling & administrative expenses	4,603	5,904	8,821	11,611
Share based compensation (Note 8)	169	121	340	419
Selling & administrative expenses	4,772	6,025	9,161	12,030
Operating (loss) earnings	(9,358)	(4,034)	(9,179)	11,405
Finance costs	571	1,018	1,140	2,340
Earnings from equity investments	(24)	-	(397)	-
(Loss) profit before tax	(9,905)	(5,052)	(9,922)	9,065
Current tax (recovery) expense	(1,970)	(2,287)	(2,403)	180
Deferred tax (recovery) expense	47	3,193	719	4,561
Income tax (recovery) expense (Note 7)	(1,923)	906	(1,684)	4,741
Total (loss) profit	(7,982)	(5,958)	(8,238)	4,324
Other comprehensive income:				
Translation of foreign operations	(2)	(350)	(71)	68
Other comprehensive (loss) income, net of income tax	(2)	(350)	(71)	68
Total comprehensive (loss) income	$ (7,984)	$ (6,308)	$ (8,309)	$ 4,392
(Loss) Earnings per share:				
Basic (Note 10)	$ (0.06)	$ (0.05)	$ (0.06)	$ 0.04
Diluted (Note 10)	$ (0.06)	$ (0.05)	$ (0.06)	$ 0.04

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

HORIZON NORTH

Condensed consolidated statement of changes in equity (Unaudited)

(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 profit	-	-	-	4,324	4,324
Share based compensation (Note 8)	-	1,026	-	-	1,026
Share options exercised	2,799	(789)	-	-	2,010
Translation of foreign operations	-	-	68	-	68
Dividends (Note 9)	-	-	-	(28,337)	(28,337)
Balance at June 30, 2015	$ 188,391	$ 13,760	$ 842	$ 62,672	$ 265,665
Total loss	-	-	-	(5,156)	(5,156)
Share based compensation	-	691	-	-	691
Share options exercised	-	-	-	-	-
Translation of foreign operations	-	-	(11)	-	(11)
Issue of share capital (Note 8)	80,644	-	-	-	80,644
Share issue costs, net of tax (Note 8)	(3,168)	-	-	-	(3,168)
Dividends (Note 9)	-	-	-	(5,304)	(5,304)
Balance at December 31, 2015	$ 265,867	$ 14,451	$ 831	$ 52,212	$ 333,361
Total loss	-	-	-	(8,238)	(8,238)
Share based compensation (Note 8)	-	631	-	-	631
Translation of foreign operations	-	-	(71)	-	(71)
Issue of share capital, on acquisition (Note 4 and 8)	1,667	-	-	-	1,667
Share issue costs, net of tax (Note 8)	(8)	-	-	-	(8)
Dividends (Note 9)	-	-	-	(5,327)	(5,327)
Balance at June 30, 2016	$ 267,526	$ 15,082	$ 760	$ 38,647	$ 322,015

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

Condensed consolidated statement of cash flows (Unaudited)
Six months ended June 30, 2016 and 2015

HORIZON NORTH

(000's)	June 30, 2016	June 30, 2015
Cash provided by (used in):		
Operating activities:		
(Loss) profit for the period	$ (8,238)	$ 4,324
Adjustments for:		
Depreciation	24,788	26,753
Amortization of intangible assets	21	-
Share based compensation (Note 8)	631	1,026
Amortization of other assets	68	64
Loss (gain) on sale of property, plant and equipment	964	(1,875)
Earnings on equity investments	(397)	-
Unrealized foreign exchange	(72)	65
Finance costs	1,140	2,340
Income tax (recovery) expense (Note 7)	(1,684)	4,741
Funds from operations	17,221	37,438
Income taxes paid	(54)	(3,590)
Interest paid	(1,116)	(2,263)
Changes in non-cash working capital items	(998)	41,076
Net cash flows from operating activities	15,053	72,661
Investing activities:		
Purchase of property, plant and equipment (Note 5)	(13,122)	(28,138)
Proceeds on sale of property, plant and equipment	18,701	6,126
Business acquisition, net of cash acquired (Note 4)	(699)	-
Net cash flows from (used in) investing activities	4,880	(22,012)
Financing activities:		
Shares issued	(8)	2,010
Repayment of loans and borrowings	(11,970)	(34,979)
Payment of dividends (Note 9)	(7,955)	(17,680)
Net cash flows used in financing activities	(19,933)	(50,649)
Change in cash position	-	-
Cash, beginning of period	-	-
Cash, end of period	$ -	$ -

The accompanying notes are an integral part of the condensed consolidated interim 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 condensed consolidated interim financial statements of the Corporation as at and for the three and six month period ended June 30, 2016 comprise the Corporation and its subsidiaries and the Corporation's interest in associates and jointly controlled entities. Horizon North provides full service solutions in camp management accommodations and catering, 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 top tier clients in the LNG, oil sands, oil and gas, mining/exploration, forestry and construction sectors anywhere in Canada and Alaska.

2. Basis of Presentation

(a) Statement of compliance

These financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Corporation adopted in its consolidated financial statements for the year ended December 31, 2015. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. These financial statements were approved by the board of directors of Horizon North on August 11, 2016.

(b) 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 estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results 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.

In preparing these condensed consolidated interim financial statements, unless otherwise stated, the significant judgments, estimates and underlying assumptions made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2015.

Estimates

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

3. Significant Accounting Policies and Determination of Fair Values

The accounting policies and determination of fair values were set out in Note 3 and 4 of the Corporation's annual consolidated financial statements for the year ended December 31, 2015. Unless otherwise stated, these policies have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

As a result, these condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2015. Certain of the comparative figures have been reclassified to conform to the presentation adopted in the current year.

3. Significant Accounting Policies and Determination of Fair Values (continued)

(a) 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 and 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.

(b) Share-based compensation transactions

Cash-settled transactions

Effective June 1, 2016, the Corporation implemented a Restricted Share Unit ("RSU") plan for eligible officers and employees of the Corporation. 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 RSU's 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. RSU`s are cash-settled awards, and therefore the expense pertaining to these awards is recorded to accounts payable and accrued liabilities.

4. Business Combination

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.

4. Business Combination (continued)

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

	Amount *(000's)*	
Trade receivables	$	209
Other current assets		170
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, backlog and architectural drawings.

From the date of acquisition to June 30, 2016, Karoleena contributed $389,000 of revenue and $70,000 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 six month period ending June 30, 2016 would have been $2,473,000 and $526,000 respectively.

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

5. Property, Plant and Equipment

Cost *(000's)*	Balance December 31, 2015	Additions	Disposals	Impact of Foreign Translation	Balance June 30, 2016
Camp facilities, setup & installation	$ 470,307	$ 11,610	$ (52,248)	$ (9)	$ 429,660
Land & Buildings	55,105	3,144	(911)	-	57,338
Automotive & trucking equipment	44,684	401	(222)	-	44,863
Mats	18,594	453	(740)	-	18,307
Furniture, fixtures & other equipment	8,063	469	(538)	-	7,994
Asset retirement obligations	9,326	4,727	(1,081)	-	12,972
Assets under construction	8,482	(2,607)	-	-	5,875
	$ 614,561	$ 18,197	$ (55,740)	$ (9)	$ 577,009

Accumulated Depreciation *(000's)*	Balance December 31, 2015	Depreciation	Disposals	Impact of Foreign Translation	Balance June 30, 2016
Camp facilities, setup & installation	$ 159,758	$ 17,407	$ (28,530)	$ (5)	$ 148,630
Land & Buildings	9,961	905	(68)	-	10,798
Automotive & trucking equipment	25,264	2,546	(217)	-	27,593
Mats	13,135	2,328	(538)	-	14,925
Furniture, fixtures & other equipment	4,890	576	(514)	-	4,952
Asset retirement obligations	2,826	1,026	(429)	-	3,423
Assets under construction	-	-	-	-	-
	$ 215,834	$ 24,788	$ (30,296)	$ (5)	$ 210,321

Carrying Amounts *(000's)*	Balance December 31, 2015	Balance June 30, 2016
Camp facilities, setup & installation	$ 310,549	$ 281,030
Land & Buildings	45,144	46,540
Automotive & trucking equipment	19,420	17,270
Mats	5,459	3,382
Furniture, fixtures & other equipment	3,173	3,042
Asset retirement obligations	6,500	9,549
Assets under construction	8,482	5,875
	$ 398,727	$ 366,688

5. Property, Plant and Equipment (continued)

Cost *(000's)*	Balance December 31, 2014	Additions	Disposals	Impact of Foreign Translation	Balance June 30, 2015
Camp facilities, setup & installation	$ 454,094	$ 6,868	$ (7,184)	$ 9	$ 453,787
Land & Buildings	46,552	5,967	-	-	52,519
Automotive & trucking equipment	46,022	166	(586)	-	45,602
Mats	14,138	9,168	(3,382)	-	19,924
Furniture, fixtures & other equipment	6,566	1,196	(124)	-	7,638
Asset retirement obligations	5,316	-	(432)	-	4,884
Assets under construction	4,477	4,773	-	-	9,250
	$ 577,165	$ 28,138	$ (11,708)	$ 9	$ 593,604

Accumulated Depreciation *(000's)*	Balance December 31, 2014	Depreciation	Disposals	Impact of Foreign Translation	Balance June 30, 2015
Camp facilities, setup & installation	$ 130,868	$ 18,686	$ (4,407)	$ 4	$ 145,151
Land & Buildings	8,137	830	-	-	8,967
Automotive & trucking equipment	22,450	2,800	(585)	-	24,665
Mats	9,174	3,038	(1,685)	-	10,527
Furniture, fixtures & other equipment	3,647	714	(124)	-	4,237
Asset retirement obligations	1,759	685	(223)	-	2,221
Assets under construction	-	-	-	-	-
	$ 176,035	$ 26,753	$ (7,024)	$ 4	$ 195,768

Carrying Amounts *(000's)*	Balance December 31, 2014	Balance June 30, 2015
Camp facilities, setup & installation	$ 323,226	$ 308,636
Land & Buildings	38,415	43,552
Automotive & trucking equipment	23,572	20,937
Mats	4,964	9,397
Furniture, fixtures & other equipment	2,919	3,401
Asset retirement obligations	3,557	2,663
Assets under construction	4,477	9,250
	$ 401,130	$ 397,836

Included in additions are assets acquired from the Karoleena business combination set out in Note 4 with a value of $348,000 at the acquisition date of June 1, 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 a disposal, a net book value of $19,279,000 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 greater or equal to the net book value of the disposed assets. At June 30, 2016, the Corporation recognized insurance proceeds to an amount equal to net book value of the disposed assets of which $5,777,000 is recorded within trade and other receivables.

6. Loans and Borrowings

(000's)	June 30, 2016	December 31, 2015
Committed credit facility	$ 46,847	$ 57,527

The carrying value of the Corporation's debt approximates its fair value, as the majority of the debt bears interest at variable rates which approximates current 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 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. The credit facility is subject to the following financial covenants:

	Covenants June 30, 2016	Debt Covenants
Maximum Consolidated Senior debt *(1)* to Consolidated EBITDAS ratio *(3)(4)*	1.17:1.00	3.00:1.00 or less
Maximum Consolidated Total debt *(2)* to Consolidated EBITDAS ratio *(3)(5)*	1.17:1.00	4.25:1.00 or less
Minimum Consolidated Interest coverage ratio*(6)*	18.8:1.00	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.
(5) Total debt to EBITDAS is calculated as the ratio of total debt to trailing 12 months EBITDAS.
(6) Interest coverage is calculated as the ratio of trailing 12 months EBITDAS to 12 months trailing interest expense on loans and borrowings.

As at June 30, 2016, the Corporation was in compliance with all financial and non-financial covenants of the committed credit facility.

7. 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:

	Three months ended June 30		Six months ended June 30	
(000's)	2016	2015	2016	2015
(Loss) earnings before income taxes	$ (9,905)	$ (5,052)	$ (9,922)	$ 9,065
Combined federal and provincial income tax rate(1)	27.0%	26.0%	27.0%	26.0%
Expected income tax (recovery) provision	$ (2,674)	$ (1,314)	$ (2,679)	$ 2,357
Future rate differential	-	2,231	-	2,111
Non-deductible share based compensation	96	98	192	267
Revisions to prior year tax estimates	-	-	-	269
Differences in jurisdictional tax rates	(23)	(26)	194	(67)
Deferred income taxes not recognized	162	-	162	-
Non-taxable portion of capital gain	(39)	(42)	(53)	(76)
Other	555	(41)	500	(120)
	$ (1,923)	$ 906	$ (1,684)	$ 4,741

(1) The Alberta Government increased the corporate provincial income tax rate to 12% from 10% with a blended corporate rate of 11% for the year ended December 31, 2015. This change was substantively enacted in June 2015.

8. 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 June 30, 2015	111,101,651	$ 188,391
Bought-deal equity financing	21,505,000	80,644
Share issue costs, net of tax of $1.2M	-	(3,168)
Balance at December 31, 2015	132,606,651	$ 265,867
Common shares issued	1,182,022	1,667
Share issue costs, net of tax	-	(8)
Balance at June 30, 2016	133,788,673	$ 267,526

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.

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

(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 certain terms and conditions. Share option vesting privileges are at the discretion of the Board of Directors and are 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 3.0 years and all options granted have a maximum term of 5 years.

	Six months ended June 30, 2016		Year ended December 31, 2015	
	Outstanding options	Weighted average exercise price	Outstanding options	Weighted average exercise price
Balance, beginning of period	7,353,154	$ 4.84	5,319,987	$ 6.47
Granted	1,500,000	1.17	3,655,000	2.37
Forfeited	(160,751)	5.03	(1,021,833)	5.34
Exercised	-	-	(600,000)	3.35
Balance, end of period	8,692,403	$ 4.20	7,353,154	$ 4.84

8. Share Capital (continued)

(c) Share option plan (continued)

	Six months ended June 30, 2016		Year ended December 31, 2015	
	Exercisable options	Weighted average exercise price	Exercisable options	Weighted average exercise price
Balance, beginning of period	2,709,455	$ 6.59	2,043,706	$ 5.41
Vested	1,680,870	4.41	1,676,047	6.78
Forfeited	(77,732)	5.92	(410,298)	6.21
Exercised	-	-	(600,000)	3.35
Balance, end of period	4,312,593	$ 5.75	2,709,455	$ 6.59

The exercise prices for options outstanding at June 30, 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 $2.03	1,500,000	$ 1.17	4.7	-	$ -
$2.04 to $2.34	2,869,833	2.30	3.7	965,475	2.30
$2.35 to $6.27	2,267,686	5.60	1.4	1,855,015	6.13
$6.28 to $7.29	245,000	6.76	1.8	237,500	6.76
$7.30 to $9.01	1,809,884	7.64	2.9	1,254,603	7.64
	8,692,403	$ 4.20	3.0	4,312,593	$ 5.75

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 six months ended June 30, 2016 and the assumptions used in their determination are as follows:

	June 30, 2016	December 31, 2015
Weighted average fair value per option	$ 0.32	$ 0.30
Weighted average forfeiture rate	7.98%	7.41%
Weighted average grant price	$ 1.17	$ 2.37
Weighted average expected life	3.0 years	3.0 years
Weighted average risk free interest rate	0.56%	0.50%
Weighted average dividend yield rate	7.08%	13.7%
Weighted average volatility	61.02%	46.39%

Expected volatility is estimated by considering historic weighted average share price volatility. For the three and six months ended June 30, 2016, share based compensation for stock options included in net earnings amounted to $276,000 and $631,000 respectively (June 30, 2015 - $350,000 and $1,026,000).

(d) Restricted Share Unit Plan

The Corporation has a Restricted Share Unit (“RSU”) plan for its directors, officers and key employees whereby RSU’s 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.

8. Share Capital (continued)

(d) Restricted Share Unit Plan (continued)

The following table summarizes the RSU`s outstanding:

	Number
Units outstanding at December 31, 2015	-
Granted	1,048,400
Forfeited	(7,800)
Units outstanding at June 30, 2016	1,040,600

The RSU's granted on June 1, 2016, at a fair value of $1.69 per unit, have been re-measured to $1.62 per unit which reflects the market value of the Corporation's stock price at June 30, 2016.

As at June 30, 2016, $78,000 (2015 - $Nil) was included in accounts payable and accrued liabilities for outstanding RSU`s and $78,000 (2015 – $Nil) of expenses were recognized in the consolidated statement of comprehensive (loss) income for the three and six months ended June 30, 2016, with a weighted average remaining term of 2.9 years.

9. Dividends

On May 4, 2016, the Corporation's Board of Directors declared a dividend for the second quarter of 2016 at $0.02 per common voting share. For the three and six months ended June 30, 2016, the Corporation paid dividends totaling $2,651,000 and $7,955,000 respectively (June 30, 2015 - $8,840,000 and $17,680,000).

(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	$ 2,651	$ 0.08	$ 8,840
June 30	0.02	2,676	0.08	8,888
September 30	-	-	0.08	10,609
December 31	-	-	0.04	5,304
	$ 0.04	$ 5,327	$ 0.28	$ 33,641

On August 11, 2016, the Corporation's Board of Directors declared a dividend for the third quarter of 2016 at $0.02 per common voting share. The dividend is payable to shareholders of record at the close of business on September 30, 2016 to be paid on October 17, 2016.

10. (Loss) Earnings Per Share

The calculation of basic earnings per share for the three and six months ended June 30, 2016 was based on the total (loss) profit attributable to common shareholders of ($7,982,000) and ($8,238,000) respectively (June 30, 2015 – ($5,958,000) and $4,324,000).

A summary of the common shares used in calculating earnings per share is as follows:

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Number of common shares, beginning of period	132,606,651	110,501,651	132,606,651	110,501,651
Weighted average effect of stock options exercised	-	72,527	-	36,464
Weighted average effect of common shares issued	389,678	-	194,839	-
Weighted average common shares outstanding – basic	132,996,329	110,574,178	132,801,490	110,538,115
Effect of share purchase options(1)	-	-	-	345,797
Weighted average common shares outstanding – diluted	132,996,329	110,574,178	132,801,490	110,883,912

(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 share during the period exceeds the exercise price of the option.

For the three and six months ended June 30, 2016, 7,222,403 and 8,692,403 share purchase options, respectively (June 30, 2015 – 5,424,877 and 4,443,904) were excluded from the calculation of weighted average common shares outstanding - diluted as the result would be anti-dilutive.

11. 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 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 & 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.

11. Operating segments (continued)

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

Three months ended June 30, 2016 *(000's)*	Camps & Catering	Rentals & Logistics	Corporate	Inter-segment Eliminations	Total
Revenue	$ 44,192	$ 8,317	$ -	$ -	$ 52,509
EBITDAS[(1)]	4,768	1,990	(3,068)	-	3,690
Depreciation and amortization	9,217	2,758	230	(12)	12,193
Loss on disposal of assets	832	(190)	(19)	(44)	579
Share based compensation	74	33	169	-	276
Operating earnings (loss)	(5,355)	(611)	(3,448)	56	(9,358)
Total assets	375,264	64,613	8,896	-	448,773
Capital expenditures	5,635	11	21	-	5,667

Three months ended June 30, 2015 *(000's)*	Camps & Catering	Rentals & Logistics	Corporate	Inter-segment Eliminations	Total
Revenue	$ 69,607	$ 15,517	$ -	$ (236)	$ 84,888
EBITDAS[(1)]	8,208	5,395	(3,510)	-	10,093
Depreciation and amortization	9,562	3,669	227	(45)	13,413
(Gain) on disposal of assets	361	3	-	-	364
Share based compensation	170	59	121	-	350
Operating earnings (loss)	(1,885)	1,664	(3,858)	45	(4,034)
Total assets	400,734	85,747	3,469	-	489,950
Capital expenditures	2,986	9,744	220	-	12,950

Six months ended June 30, 2016 *(000's)*	Camps & Catering	Rentals & Logistics	Corporate	Inter-segment Eliminations	Total
Revenue	$ 113,610	$ 16,808	$ -	$ -	$ 130,418
EBITDAS[(1)]	18,483	3,968	(5,525)	-	16,926
Depreciation and amortization	18,494	5,912	464	(61)	24,809
Loss on disposal of assets	921	(193)	(19)	(44)	665
Share based compensation	218	73	340	-	631
Operating earnings (loss)	(1,150)	(1,824)	(6,310)	105	(9,179)
Total assets	375,264	64,613	8,896	-	448,773
Capital expenditures	10,737	2,224	161	-	13,122

Six months ended June 30, 2015 *(000's)*	Camps & Catering	Rentals & Logistics	Corporate	Inter-segment Eliminations	Total
Revenue	$ 188,366	$ 31,198	$ -	$ (708)	$ 218,856
EBITDAS[(1)]	36,365	9,630	(6,488)	-	39,507
Depreciation and amortization	19,484	6,913	448	(92)	26,753
(Gain) on disposal of assets	323	-	-	-	323
Share based compensation	473	134	419	-	1,026
Operating earnings (loss)	16,085	2,583	(7,355)	92	11,405
Total assets	400,734	85,747	3,469	-	489,950
Capital expenditures	10,652	17,215	271	-	28,138

(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.

12. Seasonality

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

13. Subsequent Event

On July 21, 2016, the Corporation entered into a Binding Letter of Intent to acquire all of the issued and outstanding shares of Empire Camp Equipment Ltd. ("Empire") for an aggregate purchase price of approximately $44,500,000, payable through a combination of cash and newly issued common shares of the Corporation. The Binding Letter of Intent is subject to certain conditions including the results of formal due diligence and the receipt of all necessary and required consents including from the TSX and the Corporation's lending syndicate. The transaction is scheduled to close in late August 2016.

Empire is a Western Canadian focused provider of camp and wellsite buildings to the Energy, Mining and Construction sectors. The Empire acquisition is a continuation of the corporation's strategy to diversify the Corporation's geographical footprint by gaining exposure to non-energy based projects as well as additional traction in traditional markets.