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

Three months ended December 31, 2016										
(000's)		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)

Three months ended December 31, 2015										
(000's)		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.