

Horizon North Logistics Inc. Announces Results for the Quarter Ended December 31, 2016

Calgary, Alberta, Canada, March 1, 2017 – TSX Symbol: HNL

Horizon North Logistics Inc. (“Horizon North” or the “Corporation”) reported its financial and operating results for the three and twelve months ended December 31, 2016 and 2015.

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

(000's except per share amounts)	Three months ended December 31		
	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) See Non-GAAP measures definitions within the press release for details.

(2) See Non-GAAP measures definitions within the press release for details.

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.

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.

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.

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.

Additional Information

A copy of the Corporation's Condensed Consolidated Interim Financial Statements for the three and twelve months ended December 31, 2016 and 2015 and related Management's Discussion and Analysis have been filed with the Canadian securities regulatory authorities and is available on SEDAR at www.sedar.com and www.horizonnorth.ca. 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.

Conference call

Horizon North will host a conference call and webcast to begin promptly at 9:00 a.m. MT (11:00 a.m. ET) on – March 2, 2017 to discuss Horizon North's fourth quarter results.

To access the conference call by telephone the conference call dial in number is 1-888-231-8191

A live webcast of the conference call will be accessible on Horizon North's website at www.horizonnorth.ca by selecting the webcast link on the home page.

An archived recording of the conference call will be available approximately two hours after completion of the call until March 9, 2017 by dialing 1-403-451-9481 or 1-855-859-2056 - Passcode: 74404994.

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.

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.

About Horizon North

Horizon North is a publicly listed corporation (TSX: HNL.TO) providing a full range of industrial, commercial, and residential products and services. Our Industrial division supplies workforce accommodations, camp management services, access solutions, maintenance and utilities. Our Modular Construction division integrates modern design concepts and technology with state of the art, off-site manufacturing processes; producing high quality building solutions for commercial and residential offerings including offices, hotels, and retail buildings, as well as distinctive single detached dwellings and multi-family residential structures. As a result of our diverse product and service offerings, Horizon North is uniquely positioned to meet the needs of our customers in numerous sectors, anywhere in Canada.

Corporate Information

For further information, please contact Rod Graham, President and Chief Executive Officer or Scott Matson, Senior Vice President Finance and Chief Financial Officer, 1600, 505 - 3rd Street S.W., Calgary, Alberta T2P 3E6; Telephone (403) 517 - 4654, Fax (403) 517 - 4678; website: www.horizonnorth.ca