

**Condensed Consolidated Interim Financial Statements of**



**HORIZON NORTH**

Three and six months ended June 30, 2017 and 2016 (Unaudited)



HORIZON NORTH

Condensed consolidated statement of financial position (Unaudited)

(000's)	June 30, 2017	December 31, 2016
<b>Assets</b>		
<b>Current assets:</b>		
Trade and other receivables	\$ 85,891	\$ 56,544
Inventories	5,118	5,259
Prepayments	3,773	3,958
Income taxes receivable	8,741	6,962
Total current assets	103,523	72,723
<b>Non-current assets:</b>		
Property, plant and equipment (Note 4)	355,046	382,771
Intangible assets	5,717	7,090
Goodwill	20,545	20,348
Other assets	2,264	2,169
Total non-current assets	383,572	412,378
Total assets	\$ 487,095	\$ 485,101
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Trade and other payables	\$ 32,351	\$ 28,535
Deferred revenue	5,340	1,777
Current portion of asset retirement obligation	1,769	1,665
Total current liabilities	39,460	31,977
<b>Non-current liabilities:</b>		
Asset retirement obligations	11,689	11,417
Loans and borrowings (Note 5)	69,425	75,268
Deferred tax liabilities	46,098	42,752
Total liabilities	166,672	161,414
<b>Shareholders' equity:</b>		
Share capital (Note 7)	286,712	286,674
Contributed surplus	15,758	15,465
Accumulated other comprehensive income	763	764
Retained earnings	17,190	20,784
Total shareholders' equity	320,423	323,687
Total liabilities and shareholders' equity	\$ 487,095	\$ 485,101

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



**Condensed consolidated statement of comprehensive income (loss) (Unaudited)**  
**Three and six months ended June 30, 2017 and 2016**

HORIZON NORTH

	Three months ended		Six months ended	
		June 30,		June 30,
(000's except per share amounts)	2017	2016	2017	2016
<b>Revenue</b>	\$ 91,647	\$ 52,509	\$ 162,135	\$ 130,418
<b>Operating expenses:</b>				
Direct costs	76,506	44,216	134,055	104,671
Depreciation (Note 4)	10,466	12,172	21,620	24,788
Amortization of intangible assets	689	21	1,373	21
Share based compensation (Note 7)	322	107	422	291
(Gain) loss on disposal of property, plant and equipment	(260)	579	(12,359)	665
Direct operating expenses	87,723	57,095	145,111	130,436
Gross profit (loss)	3,924	(4,586)	17,024	(18)
<b>Selling &amp; administrative expenses:</b>				
Selling & administrative expenses	6,570	4,603	11,255	8,821
Share based compensation (Note 7)	(146)	169	116	340
Selling & administrative expenses	6,424	4,772	11,371	9,161
Operating earnings (loss)	(2,500)	(9,358)	5,653	(9,179)
Finance costs	763	571	1,503	1,140
Loss (earnings) from equity investments	191	(24)	191	(397)
Profit (loss) before tax	(3,454)	(9,905)	3,959	(9,922)
Current tax recovery	(683)	(1,970)	(1,578)	(2,403)
Deferred tax expense	178	47	3,346	719
Income tax (recovery) expense (Note 6)	(505)	(1,923)	1,768	(1,684)
Total profit (loss)	(2,949)	(7,982)	2,191	(8,238)
<b>Other comprehensive income:</b>				
Translation of foreign operations	(1)	(2)	(1)	(71)
Other comprehensive income (loss), net of income tax	(1)	(2)	(1)	(71)
Total comprehensive income (loss)	\$ (2,950)	\$ (7,984)	\$ 2,190	\$ (8,309)
<b>Earnings (loss) per share:</b>				
Basic (Note 9)	\$ (0.02)	\$ (0.06)	\$ 0.02	\$ (0.06)
Diluted (Note 9)	\$ (0.02)	\$ (0.06)	\$ 0.02	\$ (0.06)

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HORIZON NORTH

**Condensed consolidated statement of changes in equity (Unaudited)**

<i>(000's)</i>		Share Capital		Contributed Surplus		Accumulated Other Comprehensive Income		Retained Earnings		Total
Balance at December 31, 2015	\$	265,867	\$	14,451	\$	831	\$	52,212	\$	333,361
Total loss		-		-		-		(8,238)		(8,238)
Share based compensation (Note 7)		-		631		-		-		631
Translation of foreign operations		-		-		(71)		-		(71)
Issue of share capital, on acquisition (Note 7)		1,667		-		-		-		1,667
Share issue costs, net of tax (Note 7)		(8)		-		-		-		(8)
Dividends (Note 8)		-		-		-		(5,327)		(5,327)
Balance at June 30, 2016	\$	267,526	\$	15,082	\$	760	\$	38,647	\$	322,015
Total loss		-		-		-		(12,078)		(12,078)
Share based compensation (Note 7)		-		383		-		-		383
Translation of foreign operations		-		-		4		-		4
Issue of share capital, on acquisition (Note 7)		19,175		-		-		-		19,175
Share issue costs, net of tax (Note 7)		(27)		-		-		-		(27)
Dividends (Note 8)		-		-		-		(5,785)		(5,785)
Balance at December 31, 2016	\$	286,674	\$	15,465	\$	764	\$	20,784	\$	323,687
Total profit		-		-		-		2,191		2,191
Share based compensation (Note 7)		-		301		-		-		301
Share options exercised		38		(8)		-		-		30
Translation of foreign operations		-		-		(1)		-		(1)
Dividends (Note 8)		-		-		-		(5,785)		(5,785)
Balance at June 30, 2017	\$	286,712	\$	15,758	\$	763	\$	17,190	\$	320,423

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



HORIZON NORTH

**Condensed consolidated statement of cash flows (Unaudited)**  
**Six months ended June 30, 2017 and 2016**

<i>(000's)</i>	June 30, 2017	June 30, 2016
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
Profit (loss) for the period	\$ 2,191	\$ (8,238)
Adjustments for:		
Depreciation (Note 4)	21,620	24,788
Amortization of intangible assets	1,373	21
Share based compensation (Note 7)	538	631
Amortization of other assets	64	68
(Gain) loss on disposal of property, plant and equipment	(19,570)	964
Loss (earnings) on equity investments	191	(397)
Unrealized foreign exchange gain	(5)	(72)
Finance costs	1,503	1,140
Income tax expense (recovery) (Note 6)	1,768	(1,684)
Funds from operations	9,673	17,221
Asset retirement obligation settled	(39)	-
Income taxes paid	(201)	(54)
Interest paid	(1,498)	(1,116)
Changes in non-cash working capital items	(1,653)	(998)
Net cash flows used in operating activities	6,282	15,053
<b>Investing activities:</b>		
Purchase of property, plant and equipment (Note 4)	(9,889)	(13,122)
Proceeds on sale of property, plant and equipment	15,751	18,701
Business acquisition, net of cash acquired	(197)	(699)
Net cash flows from (used in) investing activities	5,665	4,880
<b>Financing activities:</b>		
Shares issued	-	(8)
Proceeds from shares issued on exercise of options	30	-
(Repayment of) proceeds from loans and borrowings	(6,193)	(11,970)
Payment of dividends (Note 8)	(5,784)	(7,955)
Net cash flows (used in) from financing activities	(11,947)	(19,933)
Change in cash position	-	-
Cash, beginning of period	-	-
Cash, end of period	\$ -	\$ -

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

## **1. Reporting Entity**

Horizon North Logistics Inc. (“Horizon North” or the “Corporation”) is a corporation registered and domiciled in Canada and is a publicly-traded company, listed on the Toronto Stock Exchange under the symbol HNL. The Corporation’s registered offices are at 900, 240-4<sup>th</sup> Avenue SW, Calgary, AB T2P 4H4. The condensed consolidated interim financial statements of the Corporation as at and for the three and six month period ended June 30, 2017 comprise the Corporation and its subsidiaries and the Corporation’s interest in associates and jointly controlled entities. Horizon North provides full service solutions in workforce accommodations and camp management, matting and soil stabilization, remote power and energy generation systems, and relocatable and permanent modular structures. The Corporation provides a full range of these services to clients in the energy, mining, forestry and construction sectors anywhere in Canada and Alaska.

## **2. Basis of Presentation**

### **(a) Statement of compliance**

These financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies the Corporation adopted in its consolidated financial statements for the year ended December 31, 2016. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. These financial statements were approved by the board of directors of Horizon North on August 1, 2017.

### **(b) Use of estimates and judgments**

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

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

In preparing these condensed consolidated interim financial statements, unless otherwise stated, the significant judgments, estimates and underlying assumptions made by management in applying the Corporation’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2016.

## **3. Significant accounting policies and determination of fair values**

The accounting policies and determination of fair values were set out in Note 3 and 4 of the Corporation’s annual consolidated financial statements for the year ended December 31, 2016 and have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

As a result, these condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2016.



**Notes to the condensed consolidated interim financial statements (Unaudited)**  
**Three and six months ended June 30, 2017 and 2016**

HORIZON NORTH

**4. Property, plant and equipment**

<b>Cost</b>	Balance December 31,			Impact of Foreign Translation	Balance June 30,
<i>(000's)</i>	2016	Additions	Disposals		2017
Camp facilities, setup & installation	\$ 456,452	\$ 289	\$ (30,654)	\$ (3)	\$ 426,084
Land & buildings	62,341	1,529	-	-	63,870
Automotive & trucking equipment	44,255	329	(3,141)	-	41,443
Mats	19,954	5,148	(3,052)	-	22,050
Furniture, fixtures & other equipment	8,293	(642)	(24)	-	7,627
Asset retirement obligations	12,692	368	-	-	13,060
Assets under construction	1,452	3,236	-	-	4,688
	\$ 605,439	\$ 10,257	\$ (36,871)	\$ (3)	\$ 578,822

<b>Accumulated Depreciation</b>	Balance December 31,			Impact of Foreign Translation	Balance June 30,
<i>(000's)</i>	2016	Depreciation	Disposals		2017
Camp facilities, setup & installation	\$ 157,197	\$ 15,132	\$ (15,903)	\$ (2)	\$ 156,424
Land & buildings	12,590	397	-	-	12,987
Automotive & trucking equipment	29,683	2,260	(2,632)	-	29,311
Mats	13,309	2,176	(1,958)	-	13,527
Furniture, fixtures & other equipment	4,997	711	(17)	-	5,691
Asset retirement obligations	4,892	944	-	-	5,836
Assets under construction	-	-	-	-	-
	\$ 222,668	\$ 21,620	\$ (20,510)	\$ (2)	\$ 223,776

<b>Carrying Amounts</b>	Balance December 31,	Balance June 30,
<i>(000's)</i>	2016	2017
Camp facilities, setup & installation	\$ 299,255	\$ 269,660
Land & buildings	49,751	50,883
Automotive & trucking equipment	14,572	12,132
Mats	6,645	8,523
Furniture, fixtures & other equipment	3,296	1,936
Asset retirement obligations	7,800	7,224
Assets under construction	1,452	4,688
	\$ 382,771	\$ 355,046



Notes to the condensed consolidated interim financial statements (Unaudited)  
Three and six months ended June 30, 2017 and 2016

4. Property, plant and equipment (continued)

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

  

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

  

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

Included in additions at June 30, 2017 are internal asset transfers between asset categories to more appropriately reflect the asset class. Included in disposals at June 30, 2017 was the sale of a large camp facility in the Alberta oil sand area where the customer exercised the contractual option to purchase the assets.

During the second quarter of 2016, the Corporation's Blacksands Executive Lodge ("Blacksands") was destroyed by the Northern Alberta wildfires. As at December 31, 2016, the Corporation recognized insurance proceeds to an amount equal to net book value of the disposed assets. The claim settlement was finalized in the first quarter of 2017 and additional proceeds related to the assets of \$12,100,000 were recorded, generating a gain.

**Notes to the condensed consolidated interim financial statements (Unaudited)  
Three and six months ended June 30, 2017 and 2016**



**5. Loans and borrowings**

(000's)	June 30, 2017	December 31, 2016
Committed credit facility	\$ 69,425	\$ 75,268

On May 3, 2017, the Corporation's committed credit facility ("credit facility") was amended. Management initiated a reduction of the available credit limit from \$200,000,000 to \$150,000,000 and the covenants for the periods ending June 30, 2017 through 2018 were adjusted. The credit facility is secured by a \$400,000,000 first fixed and floating charge debenture over all assets of the Corporation and its wholly owned subsidiaries. The interest rate is calculated on a grid pricing structure based on the Corporation's debt to EBITDAS ratio. Debt to EBITDAS is calculated as at the most recently completed calendar quarter and for the 12 months ended on such date. Amounts drawn on the credit facility incur interest at bank prime rate plus 0.50% to 2.25% or the Bankers' Acceptance rate plus 1.50% to 3.25%. The credit facility has a standby fee ranging from 0.34% to 0.73%. Amounts borrowed under the credit facility become due on March 31, 2019, the maturity date of the credit facility. The credit facility is subject to the following financial covenants:

	Covenants June 30, 2017	Debt Covenants
Maximum Consolidated Senior debt <sup>(1)</sup> to Consolidated EBITDAS ratio <sup>(3)(4)</sup>	2.39:1.00	4.00:1.00 or less
Maximum Consolidated Total debt <sup>(2)</sup> to Consolidated EBITDAS ratio <sup>(3)(5)</sup>	2.39:1.00	4.25:1.00 or less
Minimum Consolidated Interest coverage ratio <sup>(6)</sup>	10.36:1.00	3.00:1.00 or more

(1) Senior debt is calculated as the sum of current and long-term portions of loans and borrowings less vehicle and equipment financing.

(2) Total debt is calculated as the sum of current and long-term portions of loans and borrowings.

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

(4) Senior debt to EBITDAS is calculated as the ratio of senior debt to trailing 12 months EBITDAS, and includes Empire Camp Equipment Ltd.

(5) Total debt to EBITDAS is calculated as the ratio of total debt to trailing 12 months EBITDAS, and includes Empire Camp Equipment Ltd.

(6) Interest coverage is calculated as the ratio of trailing 12 months EBITDAS to 12 months trailing interest expense on loans and borrowings.

As at June 30, 2017, the Corporation was in compliance with all financial and non-financial covenants of the committed credit facility. The carrying value of the Corporation's debt approximates its fair value, as the majority of the debt bears interest at variable rates which approximates current market rates.

**6. Income taxes**

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

(000's)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Profit (loss) before tax	\$ (3,454)	\$ (9,905)	\$ 3,959	\$ (9,922)
Combined federal and provincial income tax rate	27.0%	27.0%	27.0%	27.0%
Expected income tax (recovery) provision	\$ (933)	\$ (2,674)	\$ 1,069	\$ (2,679)
Non-deductible share based compensation	47	96	145	192
Rate differential on non-capital loss carryback	48	-	123	-
Share issuance costs	-	-	10	-
Deferred taxes not recognized	182	162	454	162
Differences in jurisdictional tax rates	29	(23)	(142)	194
Non-taxable portion of capital gain	28	(39)	(6)	(53)
Other	94	555	115	500
	\$ (505)	\$ (1,923)	\$ 1,768	\$ (1,684)

## 7. Share capital

### (a) Authorized

Unlimited number of voting common shares without nominal or par value.

Unlimited number of preferred shares issuable in series.

### (b) Issued

	Number	Amount (000's)
Balance at June 30, 2016	133,788,673	\$ 267,526
Common shares issued	10,833,333	19,175
Share issue costs, net of tax	-	(27)
Balance at December 31, 2016	144,622,006	\$ 286,674
Share options exercised	25,000	38
Balance at June 30, 2017	144,647,006	\$ 286,712

On August 23, 2016, the Corporation acquired 100% of the issued and outstanding shares of Empire Camp Equipment Ltd. for an aggregate purchase price of \$47,425,000 including the issuance of 10,833,333 common shares of the Corporation.

### (c) Share option plan

The Corporation has a share option plan for its directors, officers, and key employees whereby options may be granted, to a maximum of 10% of the issued and outstanding common shares, subject to certain terms and conditions. Share option vesting privileges are at the discretion of the Board of Directors and are set at three years. The Corporation uses graded vesting for share options over the period in which the option vests. All share options are equity settled with a weighted average remaining contractual life of 3.3 years and all options granted have a maximum term of 5 years.

	Six months ended June 30, 2017		Year ended December 31, 2016	
	Outstanding options	Weighted average exercise price	Outstanding options	Weighted average exercise price
Balance, beginning of period	8,385,737	4.15	7,353,154	\$ 4.84
Granted	2,533,500	1.47	1,800,000	1.27
Forfeited	(646,906)	4.49	(767,417)	3.99
Expired	(1,512,905)	6.23	-	-
Exercised	(25,000)	1.16	-	-
Balance, end of period	8,734,426	3.00	8,385,737	\$ 4.15



Notes to the condensed consolidated interim financial statements (Unaudited)  
Three and six months ended June 30, 2017 and 2016

7. Share capital (continued)

(c) Share option plan (continued)

	Six months ended June 30, 2017		Year ended December 31, 2016	
	Exercisable options	Weighted average exercise price	Exercisable options	Weighted average exercise price
Balance, beginning of period	4,168,595	5.71	2,709,455 \$	6.59
Vested	1,823,618	3.37	1,817,870	4.35
Forfeited	(326,576)	5.97	(358,730)	5.40
Expired	(1,512,905)	6.23	-	-
Exercised	(25,000)	1.16	-	-
Balance, end of period	4,127,732	4.50	4,168,595 \$	5.71

The exercise prices for options outstanding at June 30, 2017 are as follows:

Exercise price per share	Total options outstanding			Exercisable options	
	Number	Weighted average exercise price per share	Weighted average remaining contractual life in years	Number	Weighted average exercise price per share
\$1.16 to \$1.32	1,250,000 \$	1.16	3.7	416,664 \$	1.16
\$1.33 to \$1.61	2,443,500	1.47	4.9	-	-
\$1.62 to \$2.34	2,901,500	2.24	2.8	1,724,311	2.30
\$2.35 to \$7.29	624,500	4.89	1.9	473,498	5.38
\$7.30 to \$9.01	1,514,926	7.65	1.9	1,513,259	7.65
	8,734,426 \$	3.00	3.3	4,127,732 \$	4.50

The Corporation calculated the fair value of the share options granted using the Black-Scholes pricing model to estimate the fair value of the share options issued at the date of grant. The weighted average fair market value of all options granted during the six months ended June 30, 2017 and the assumptions used in their determination are as follows:

	June 30, 2017	December 31, 2016
Weighted average fair value per option	\$ 0.47	\$ 0.37
Weighted average forfeiture rate	8.50%	8.05%
Weighted average grant price	\$ 1.47	\$ 1.27
Weighted average expected life	3.0 years	3.0 years
Weighted average risk free interest rate	0.78%	0.58%
Weighted average dividend yield rate	5.44%	6.60%
Weighted average volatility	64.72%	61.89%

Expected volatility is estimated by considering historic weighted average share price volatility. For the three and six months ended June 30, 2017, share based compensation for stock options included in net earnings amounted to \$151,000 and \$301,000 respectively (June 30, 2016 - \$276,000 and \$631,000).

(d) Restricted share unit plan

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

## 7. Share capital (continued)

### (d) Restricted Share Unit Plan (continued)

The following table summarizes the RSUs outstanding:

	Number
Units outstanding at December 31, 2016	1,050,600
Granted	1,205,735
Forfeited	(104,400)
Exercised	(300,062)
Units outstanding at June 30, 2017	1,851,873

The following table summarizes the RSUs fair value per unit at the time of issuance and as at June 30, 2017:

	Units Issued	Fair Value at Grant Date (\$ per unit)	Fair Value at June 30, 2017 (\$ per unit)
Opening, Issued in 2016	1,118,400		1.33
Issued on January 16, 2017	12,000	2.05	1.33
Issued on February 21, 2017	12,000	1.95	1.33
Issued on April 10, 2017	12,000	1.76	1.33
Issued on May 15, 2017	756,500	1.47	1.33
Issued on June 1, 2017	381,235	1.44	1.33
Issued on June 19, 2017	32,000	1.31	1.33

As at June 30, 2017, \$455,000 (June 30, 2016 – \$78,000) was included in accounts payable and accrued liabilities for outstanding RSUs. For the three and six months ended June 30, 2017, \$25,000 and \$237,000 respectively (June 30, 2016 – \$78,000) of expenses were recognized in the consolidated statement of comprehensive (loss) income, with a weighted average remaining term of 1.6 years.

## 8. Dividends

For the three and six months ended June 30, 2017, the Corporation paid dividends totaling \$2,892,000 and \$5,784,000 respectively (June 30, 2016 – \$2,651,000 and \$7,955,000).

(000's except per share amounts)	2017		2016	
	Amount per share	Total dividend amount	Amount per share	Total dividend amount
Record Date				
March 31	\$ 0.02	\$ 2,892	\$ 0.02	\$ 2,652
June 30	0.02	2,893	0.02	2,676
September 30	-	-	0.02	2,892
December 31	-	-	0.02	2,892
	\$ 0.04	\$ 5,785	\$ 0.08	\$ 11,112

On August 1, 2017, the Corporation's Board of Directors declared a dividend for the third quarter of 2017 at \$0.02 per common voting share. The dividend is payable to shareholders of record at the close of business on September 30, 2017 to be paid on October 16, 2017.

## 9. Earnings (loss) per share

The calculation of basic earnings per share for the three and six months ended June 30, 2017 was based on the total (loss) profit attributable to common shareholders of (\$2,949,000) and \$2,191,000 respectively (June 30, 2016 – (\$7,982,000) and (\$8,238,000)).

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Number of common shares, beginning of period	144,622,006	132,606,651	144,622,006	132,606,651
Weighted average effect of common shares issued	12,637	389,678	6,354	194,839
Weighted average common shares outstanding – basic	144,634,643	132,996,329	144,628,360	132,801,490
Effect of share purchase options <sup>(1)</sup>	-	-	359,469	-
Weighted average common shares outstanding – diluted	144,634,643	132,996,329	144,987,829	132,801,490

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

For the three and six months ended June 30, 2017, 7,721,097 and 7,484,426 share purchase options, respectively (June 30, 2016 – 7,222,403 and 8,692,403) were excluded from the calculation of weighted average common shares outstanding - diluted as the result would be anti-dilutive.

## 10. Operating segments

Effective January 1, 2017, the Corporation re-aligned its operating segments to reflect how the Chief Operating Decision Maker monitors and allocates resources to the operations. Previously, the segments were disclosed as Camps & Catering and Rentals & Logistics. The re-alignment of the operating segments transferred the modular solutions assets into the new Modular Solutions operating segment. The Corporation continues to operate in Canada and the United States through its re-aligned operating segments: Camps & Catering, Rentals & Logistics and Modular Solutions.

The Camps & Catering segment combines the camps and catering operations, and the associated services. The Rentals & Logistics segment combines all other rental operations; mat rental operations, relocatable structures rental operations, transportation operations and the associated services. The Modular Solutions segment is comprised of all modular manufacturing and installation operations for commercial and residential end markets. Corporate includes the costs of head office administration, interest costs, taxes, other corporate costs and residual assets and liabilities.

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



**Notes to the condensed consolidated interim financial statements (Unaudited)**  
**Three and six months ended June 30, 2017 and 2016**

**10. Operating segments (continued)**

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

Three months ended June 30, 2017 (000's)	Camps & Catering	Rentals & Logistics	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	\$ 68,738	\$ 15,918	\$ 7,007	\$ -	\$ (16)	\$ 91,647
EBITDAS <sup>(1)</sup>	13,525	3,253	(5,282)	(2,925)	-	8,571
Depreciation and amortization	7,937	2,539	494	186	(1)	11,155
Gain on disposal of assets	(6)	(250)	(4)	-	-	(260)
Share based compensation	24	(1)	8	145	-	176
Operating earnings (loss)	5,570	965	(5,780)	(3,256)	1	(2,500)
Total assets	369,568	64,104	42,583	10,840	-	487,095
Capital expenditures	4,391	99	270	124	-	4,884

Three months ended June 30, 2016 (000's)	Camps & Catering	Rentals & Logistics	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	\$ 43,803	\$ 8,317	\$ 389	\$ -	\$ -	\$ 52,509
EBITDAS <sup>(1)</sup>	4,836	1,990	(68)	(3,068)	-	3,690
Depreciation and amortization	8,776	2,757	442	230	(12)	12,193
Loss (gain) on disposal of assets	832	(190)	-	(19)	(44)	579
Share based compensation	51	33	23	169	-	276
Operating earnings (loss)	(4,823)	(610)	(533)	(3,448)	56	(9,358)
Total assets	352,091	64,613	23,173	8,896	-	448,773
Capital expenditures	5,429	11	206	21	-	5,667

Six months ended June 30, 2017 (000's)	Camps & Catering	Rentals & Logistics	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	\$ 118,313	\$ 27,606	\$ 16,232	\$ -	\$ (16)	\$ 162,135
EBITDAS <sup>(1)</sup>	26,064	5,712	(9,047)	(5,904)	-	16,825
Depreciation and amortization	16,501	5,129	981	383	(1)	22,993
Gain on disposal of assets	(12,053)	(250)	(4)	-	(52)	(12,359)
Share based compensation	93	2	36	407	-	538
Operating earnings (loss)	21,523	831	(10,060)	(6,694)	53	5,653
Total assets	369,568	64,104	42,583	10,840	-	487,095
Capital expenditures	5,565	3,704	382	238	-	9,889

Six months ended June 30, 2016 (000's)	Camps & Catering	Rentals & Logistics	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	\$ 113,221	\$ 16,808	\$ 389	\$ -	\$ -	\$ 130,418
EBITDAS <sup>(1)</sup>	18,551	3,968	(68)	(5,525)	-	16,926
Depreciation and amortization	17,652	5,912	842	464	(61)	24,809
Loss (gain) on disposal of assets	913	(193)	8	(19)	(44)	665
Share based compensation	160	73	58	340	-	631
Operating earnings (loss)	(174)	(1,824)	(976)	(6,310)	105	(9,179)
Total assets	352,091	64,613	23,173	8,896	-	448,773
Capital expenditures	10,268	2,224	469	161	-	13,122

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

### **11. Seasonality**

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. Modular Solutions segment is not impacted by seasonality.