

Consolidated Financial Statements of



For the years ended December 31, 2017 and 2016



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Horizon North Logistics Inc.

We have audited the accompanying consolidated financial statements of Horizon North Logistics Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Horizon North Logistics Inc. as at December 31, 2017 and December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

March 13, 2018
Calgary, Canada



HORIZON NORTH

Consolidated statement of financial position

	December 31, 2017	December 31, 2016
(000's)		
Assets		
Current assets:		
Trade and other receivables (Note 12)	\$ 98,765	\$ 56,544
Inventories (Note 13)	7,427	5,259
Prepayments	5,437	3,958
Income taxes receivable	3,065	6,962
Total current assets	114,694	72,723
Non-current assets:		
Property, plant and equipment (Note 15)	338,122	382,771
Intangible assets (Note 16)	4,348	7,090
Goodwill (Note 16)	20,545	20,348
Other assets (Note 17)	2,041	2,169
Total non-current assets	365,056	412,378
Total assets	\$ 479,750	\$ 485,101
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables	\$ 33,001	\$ 28,535
Deferred revenue	7,008	1,777
Current portion of asset retirement obligation (Note 19)	3,347	1,665
Finance lease liabilities (Note 19)	1,588	-
Total current liabilities	44,944	31,977
Non-current liabilities:		
Asset retirement obligations (Note 19)	11,217	11,417
Loans and borrowings (Note 18)	73,016	75,268
Deferred tax liabilities (Note 11)	45,509	42,752
Total liabilities	174,686	161,414
Shareholders' equity:		
Share capital (Note 20)	286,754	286,674
Contributed surplus	16,181	15,465
Accumulated other comprehensive income	761	764
Retained earnings	1,368	20,784
Total shareholders' equity	305,064	323,687
Total liabilities and shareholders' equity	\$ 479,750	\$ 485,101

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

Ann Rooney
Director

Rod Graham
Director

Consolidated statement of comprehensive loss
Twelve months ended December 31, 2017 and 2016



	December 31, 2017	December 31, 2016
<i>(000's except per share amounts)</i>		
Revenue (Note 6)	\$ 324,082	\$ 250,935
Operating expenses:		
Direct costs (Note 7)	272,626	204,140
Depreciation (Note 15)	40,701	48,848
Amortization of intangible assets (Note 16)	2,742	992
Impairment loss on re-measurement of assets held for sale (Note 14)	3,457	-
Share based compensation (Note 20)	659	690
Gain on disposal of property, plant and equipment (Note 15)	(12,094)	(626)
Direct operating expenses (Note 7)	308,091	254,044
Gross profit (loss)	15,991	(3,109)
Selling & administrative expenses:		
Selling & administrative expenses (Note 8)	21,411	18,134
Share based compensation (Note 20)	515	961
Selling & administrative expenses (Note 8)	21,926	19,095
Operating loss	(5,935)	(22,204)
Finance costs (Note 10)	2,824	2,407
Earnings from equity investments	-	(126)
Loss before tax	(8,759)	(24,485)
Current tax recovery	(3,673)	(7,043)
Deferred tax expense (Note 11)	2,757	2,874
Income tax recovery (Note 11)	(916)	(4,169)
Total loss	(7,843)	(20,316)
Other comprehensive income:		
Translation of foreign operations	(3)	(67)
Other comprehensive loss, net of income tax	(3)	(67)
Total comprehensive loss	\$ (7,846)	\$ (20,383)
Loss per share:		
Basic (Note 21)	\$ (0.05)	\$ (0.15)
Diluted (Note 21)	\$ (0.05)	\$ (0.15)

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



HORIZON NORTH

Consolidated statement of changes in equity

		Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total
<i>(000's)</i>						
Balance at December 31, 2015	\$	265,867	\$ 14,451	\$ 831	\$ 52,212	\$ 333,361
Total loss		-	-	-	(20,316)	(20,316)
Share based compensation (Note 20)		-	1,014	-	-	1,014
Translation of foreign operations		-	-	(67)	-	(67)
Issue of share capital, on acquisition (Note 20)		20,842	-	-	-	20,842
Share issue costs, net of tax (Note 20)		(35)	-	-	-	(35)
Dividends (Note 22)		-	-	-	(11,112)	(11,112)
Balance at December 31, 2016	\$	286,674	\$ 15,465	\$ 764	\$ 20,784	\$ 323,687
Total loss		-	-	-	(7,843)	(7,843)
Share based compensation (Note 20)		-	734	-	-	734
Share options exercised (Note 20)		80	(18)	-	-	62
Translation of foreign operations		-	-	(3)	-	(3)
Dividends (Note 22)		-	-	-	(11,573)	(11,573)
Balance at December 31, 2017	\$	286,754	\$ 16,181	\$ 761	\$ 1,368	\$ 305,064

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

Consolidated statement of cash flows
Twelve months ended December 31, 2017 and 2016



(000's)	December 31, 2017	December 31, 2016
Cash provided by (used in):		
Operating activities:		
Loss for the period	\$ (7,843)	\$ (20,316)
Adjustments for:		
Depreciation (Note 15)	40,701	48,848
Amortization of intangible assets (Note 16)	2,742	992
Share based compensation (Note 20)	1,174	1,651
Amortization of other assets (Note 17)	128	132
Gain on disposal of property, plant and equipment	(12,094)	(626)
Book value of used fleet sales	21,000	8,968
Earnings on equity investments	-	(126)
Impairment loss on re-measurement of assets held for sale (Note 14)	3,457	-
Unrealized foreign exchange gain (loss)	(5)	(68)
Finance costs (Note 10)	2,824	2,407
Income tax recovery (Note 11)	(916)	(4,169)
Funds from operations	51,168	37,693
Asset retirement obligation settled (Note 19)	(441)	(1,501)
Income taxes refunded	7,570	3,635
Interest paid	(2,989)	(2,415)
Changes in non-cash working capital items (Note 27)	(40,582)	(5,132)
Net cash flows (used in) from operating activities	14,726	32,280
Investing activities:		
Purchase of property, plant and equipment (Note 15)	(15,596)	(21,887)
Proceeds on sale of property, plant and equipment	13,240	15,183
Business acquisition, net of cash acquired (Note 5)	(197)	(28,455)
Net cash flows from (used in) investing activities	(2,553)	(35,159)
Financing activities:		
Shares issued	-	(47)
Proceeds from shares issued on exercise of options (Note 20)	62	-
Finance lease liabilities	1,588	-
(Repayment of) proceeds from loans and borrowings	(2,252)	16,451
Payment of dividends (Note 22)	(11,571)	(13,525)
Net cash flows (used in) from financing activities	(12,173)	2,879
Change in cash position	-	-
Cash, beginning of period	-	-
Cash, end of period	\$ -	\$ -

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

1. Reporting Entity

Horizon North Logistics Inc. ("Horizon North" or the "Corporation") is a corporation registered and domiciled in Canada and is a publicly-traded company, listed on the Toronto Stock Exchange under the symbol HNL. The Corporation's registered offices are at 900, 240-4th Avenue SW, Calgary, AB T2P 4H4. The consolidated financial statements of the Corporation as at and for the year ended December 31, 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.

2. Basis of Presentation

(a) Statement of compliance

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

The consolidated financial statements were authorized for issue by the Board of Directors on March 13, 2018.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

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

Estimates

- **Revenue Recognition Estimate** – The Corporation uses the percentage-of-completion method in accounting for its construction contract revenue. Use of the percentage-of-completion method requires estimates of the stage of completion of the contract to date as a proportion of the total contract work to be performed in accordance with the accounting policy set out in Note 3(k)(iv).
- **Construction Receivable Estimate** – The Corporation recognizes that the value of many construction contracts increase over the duration of the construction period. Change orders may be issued by customers to modify the original contract scope of work or conditions resulting in possible disputes or claims regarding additional amounts owing may arise. Construction work related to a change order or claim may proceed, and costs may be incurred, in advance of final determination of the value of the change order. As many change orders and claims may not be settled until the end of the construction project, significant increases or decreases in revenue and income may arise during any particular accounting period.

2. Basis of Presentation (continued)

(d) Use of estimates and judgments (continued)

Estimates (continued)

- Collectability of receivables – The Corporation estimates the collectability of accounts receivable, including unbilled accounts receivable related to current period service revenue. An analysis of historical bad debts, client credit-worthiness, the age of accounts receivable and current economic trends and conditions are used to evaluate the adequacy of the allowance for doubtful accounts and the collectability of receivables. Significant estimates must be made and used in connection with establishing the allowance for doubtful accounts in any accounting period. Material differences may result if management made different judgments or utilized different estimates.
- Asset Retirement Obligation (“ARO”) – The Corporation recognizes an asset retirement obligation to account for future demobilisation and reclamation of specific camps. Use of an ARO requires estimates of the asset retirement costs, timing of payments, present value discount rate and inflation rate to determine the amount recognized in accordance with the accounting policy set out in Note 3(j).
- 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 (“FVLCD”) and its value in use (“VIU”). The FVLCD 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, gross margin and EBITDAS assumptions and the growth rate used for extrapolation purposes.
- Purchase price equations – the acquired assets and assumed liabilities are generally recognized at fair value on the date the Corporation obtains control of a business. The measurement of each business combination is based on the information available on the acquisition date. The estimate of fair value of the acquired intangible assets and other assets and the liabilities are largely based on projected cash flows, discount rates and market conditions at the date of acquisition. The estimate of fair value of property, plant and equipment is based on available data from comparable sales transactions.

Judgments

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

3. Significant Accounting Policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

3. Significant Accounting Policies (continued)

(a) Basis of consolidation (continued)

(ii) Special purpose entities

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

(iii) Joint ventures

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

(iv) Transactions eliminated on consolidation

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

(b) Business combinations

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

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

(c) Financial instruments

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

3. Significant Accounting Policies (continued)

(c) Financial instruments (continued)

(i) Non-derivative financial assets

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

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

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

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

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

(ii) Non-derivative financial liabilities

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

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

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

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

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

(iii) Share capital

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

(d) Assets Held for Sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on re-measurement are recognized in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

3. Significant Accounting Policies (continued)

(e) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

Proceeds from the sale of rental equipment that is routinely sold before the end of its useful life are included in revenue and Net cash flows from operating activities. The investments in the acquisition or manufacturing of rental equipment is also included in Net cash flows from operating activities if the assets are expected to be predominantly sold before the end of their useful life, otherwise the investments are included in Net cash flows from investing activities. The Company made immaterial adjustments of \$1,500,000 to the Statement of cash flows in the comparative period to present cash flows in accordance with this accounting policy.

(ii) Subsequent costs

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

(iii) Depreciation

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

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

Assets	Method	Residual Value	Useful life
Camp facilities	Straight-line	20%	15 years
Camp setup & installation	Straight-line	-	2 to 5 years
Buildings	Straight-line	-	20 years
Automotive & trucking equipment	Straight-line	-	4 to 8 years
Mats	Straight-line	-	6 years
Furniture, fixtures & other equipment	Straight-line	-	2 to 10 years
Asset retirement obligation	Straight-line	-	2 to 7 years

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

3. Significant Accounting Policies (continued)

(f) Intangible assets

(i) Goodwill

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

(ii) Assets acquired in business combinations

Non-operating intangible assets are intangible assets that are acquired as a result of a business combination, which arise from contractual or other legal rights and are transferable or separable. On initial recognition they are measured at fair value. Amortization is charged on a straight line basis to the statement of comprehensive income over their expected useful lives which are:

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

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

(g) Inventories

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

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

(h) Impairment

(i) Financial assets

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

3. Significant Accounting Policies (continued)

(h) Impairment (continued)

(i) Financial assets (continued)

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

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

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

(ii) Non-financial assets

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

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

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

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

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

3. Significant Accounting Policies (continued)

(h) Impairment (continued)

(ii) Non-financial assets (continued)

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

(i) Employee benefits

(i) Defined contribution plan

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

(ii) Short-term benefits

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

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

(iii) Share based compensation transactions

Equity-settled transactions

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

Cash-settled transactions

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

(j) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax risk-free rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. As at December 31, 2017 and 2016 the Corporation has recognized a provision for Asset Retirement Obligations.

3. Significant Accounting Policies (continued)

(k) Revenue

(i) Goods sold

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

The Corporation routinely sells items of property, plant and equipment that it has held for rental and such assets are transferred to inventories at their carrying amount when they cease to be rented and become held for sale. The proceeds from the sale of such assets are recognised as revenue.

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

(ii) Services

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

(iii) Rental income

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

(iv) Construction contracts

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

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

(l) Lease payments

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

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

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

3. Significant Accounting Policies (continued)

(l) Lease payments (continued)

Determining whether an arrangement contains a lease:

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

(m) Finance income and costs

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

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

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

(n) Income tax

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

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

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

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

(o) Earnings per share

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

3. Significant Accounting Policies (continued)

(p) Segment reporting

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

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

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

(q) Foreign currency translation

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

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

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

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

(r) New standards and interpretations not yet adopted

The new standards, amendments to standards and interpretations not yet effective for the year ended December 31, 2017, and have not been applied in preparing these consolidated financial statements are disclosed below. The Corporation intends to adopt these standards, if applicable, when they become effective on or after January 1, 2018.

IFRS 9 Financial Instruments - IFRS 9 Financial Instruments addresses the classification and measurement of financial assets. The new standard defines two instead of four measurement categories for financial assets with classification to be based partly on the Corporation's business model and partly on the characteristics of the contractual cash flows from the respective financial asset. IFRS 9 requires impairment of financial assets to be based on past, current and future costs relating to the financial assets and has introduced a new expected credit loss model for calculating impairment of financial assets, replacing the incurred loss impairment model required by IAS 39. The Corporation does not expect the new impairment model to result in material changes to the valuation of its financial assets on adoption of IFRS 9. The Corporation will adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2018.

3. Significant Accounting Policies (continued)

(r) New standards and interpretations not yet adopted (continued)

IFRS 15 Revenue from Contracts with Customers - IFRS 15 Revenue from Contracts with Customers contains a single revenue model that applies to contracts with customers and two approaches to recognize revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. Disclosure requirements have also been expanded. The Corporation will adopt IFRS 15 in its consolidated financial statements for the year ending December 31, 2018, using the cumulative effect method whereby the Corporation will apply the new standard as of the date of initial application with no restatement of comparative periods. The cumulative effect method adjusts the effects on revenue and expenses to the opening balance of retained earnings as at January 1, 2018.

Throughout 2017, the Corporation reviewed its various revenue streams and underlying contracts with customers and assessed the appropriate method of revenue recognition under the new standard. It has been concluded that the adoption of IFRS 15 will not have a material impact on net income and financial position. The Corporation will expand the disclosures in the notes to its financial statements as prescribed by IFRS 15, including disclosing disaggregated revenue streams by product type.

IFRS 16 Leases - IFRS 16 Leases introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-to-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Transitional provisions have been provided. The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

4. Determination of fair values

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

(a) Property, plant and equipment

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

(b) Intangible assets

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

(c) Other financial assets and liabilities

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

(d) Share-based compensation transactions

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

4. Determination of fair values (continued)

(d) Share-based compensation transactions (continued)

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

5. Business Combinations

(a) The Corporation did not complete any significant acquisitions in the year ended December 31, 2017.

(b) Karoleena Inc. - 2016

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

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

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

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

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

The following summarizes the recognized amounts of assets acquired and liabilities assumed:

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

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

5. Business Combinations (continued)

(b) Karoleena Inc. – 2016 (continued)

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

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

(c) Empire Camp Equipment Ltd. - 2016

On August 23, 2016, the Corporation acquired all of the issued and outstanding shares of Empire Camp Equipment Ltd. ("Empire") for total cash consideration of \$28,388,000, and the issuance of 10,833,333 common shares of the Corporation with a fair value at the acquisition date of \$1.77 per share for total consideration of \$47,367,000.

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

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

	Amount (000's)
Cash paid	\$ 28,388
Shares issued	19,175
Total consideration transferred	\$ 47,563

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

The following summarizes the recognized amounts of assets acquired and liabilities assumed:

	Amount (000's)
Cash acquired	\$ 436
Trade receivables	1,299
Other current assets	28
Property, plant and equipment	26,105
Intangible assets	6,053
Deferred income tax	(3,066)
Current liabilities	(523)
Total net identifiable assets acquired	\$ 30,332
Goodwill	17,231
Total consideration transferred	\$ 47,563

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

5. Business Combinations (continued)

(c) Empire Camp Equipment Ltd. – 2016 (continued)

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

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

6. Revenue

(000's)	December 31, 2017	December 31, 2016
Rental and Catering revenue	\$ 205,960	\$ 211,677
Construction contract revenue	46,755	8,287
Sale of used fleet	33,728	9,900
Rendering of services	31,159	21,071
Sale of goods	6,480	-
	\$ 324,082	\$ 250,935

Construction contract revenue has been determined based on the percentage of completion method. The amount of construction contract revenue results from the manufacturing of residential and commercial modular structures in the Modular Solutions segment. These units are based on specifically negotiated contracts with customers.

For construction contracts in progress, the aggregate amount of contract costs incurred and recognized profits, less recognized losses, as at December 31, 2017 were \$30,262,000 (2016 - \$4,758,000).

At December 31, 2017, advances received from customers under open construction contracts amounted to \$2,627,000 (2016 - \$647,000). Advances for which the related work has not been completed are presented as deferred revenue.

7. Direct Operating Expenses

(000's)	December 31, 2017	December 31, 2016
Wages and benefits	\$ 137,809	\$ 110,529
Job supplies	79,992	45,373
Rental equipment	4,081	4,468
Repairs & maintenance	7,590	5,982
Trucking costs	6,637	2,622
Other operating expenses	36,517	35,166
Direct costs	272,626	204,140
Depreciation	40,701	48,848
Amortization of intangibles	2,742	992
Impairment loss	3,457	-
Share based compensation	659	690
Gain on disposal of property, plant and equipment	(12,094)	(626)
	\$ 308,091	\$ 254,044

The amount of inventories recognized as an expense during the twelve months ended December 31, 2017 is \$24,920,000 (2016 - \$8,112,000).

Notes to the consolidated financial statements
Years ended December 31, 2017 and 2016



8. Selling & Administrative Expenses

(000's)	December 31, 2017	December 31, 2016
Salaries and benefits	\$ 13,613	\$ 13,326
Other selling & administrative expenses	7,798	4,808
Selling & administrative expenses	21,411	18,134
Share based compensation	515	961
	\$ 21,926	\$ 19,095

9. Personnel expenses

(000's)	December 31, 2017	December 31, 2016
Wages, salaries & benefits	\$ 148,597	\$ 120,531
Contributions to defined contribution plans	2,825	3,324
Share based compensation	1,174	1,651
	\$ 152,596	\$ 125,506

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

10. Finance Costs

(000's)	December 31, 2017	December 31, 2016
Interest Expenses	\$ 2,728	\$ 2,319
Accretion of provisions	96	88
	\$ 2,824	\$ 2,407

11. Income Taxes

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

(000's)	December 31, 2017	December 31, 2016
Loss before tax	\$ (8,759)	\$ (24,485)
Combined federal and provincial income tax rate	27.0%	27.0%
Expected income tax recovery	\$ (2,365)	\$ (6,611)
Non-deductible share based compensation	317	446
Differences in jurisdictional tax rates	271	142
Share issuance costs	10	13
Revisions to prior year tax estimates	(66)	490
Deferred taxes not recognized	641	777
Rate differential on non-capital loss carryback	258	560
Non-taxable portion of capital gain	(85)	(95)
Other	103	109
	\$ (916)	\$ (4,169)

For the year ended December 31, 2017 income tax recovery was \$916,000, with an effective tax rate of 10.5%, for the year ended December 31, 2016 income tax recovery was \$4,169,000, an effective tax rate of 17.0%. The decrease in income tax recovery was attributable to the increase in reported earnings for the twelve months ended December 31, 2017.

11. Income Taxes (continued)

Deferred tax assets and liabilities

- (a) The Corporation has non-capital losses for Canadian tax purposes of \$7,553,000 available to reduce future taxable income in Canada, and non-capital losses for United States tax purposes of \$750,000 available to reduce future taxable income in the United States, which will expire as follows:

(000's)	Amount
2018	\$ -
2019	-
2020	-
2021	-
2022 and beyond	8,303
	\$ 8,303

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

(000's)	December 31, 2017	December 31, 2016
Tax losses	\$ 1,679	\$ 777

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

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

	Assets		Liabilities		Net	
(000's)	2017	2016	2017	2016	2017	2016
Property, plant and equipment	\$ 103	\$ 30	\$ (54,789)	\$ (51,426)	\$ (54,686)	\$ (51,396)
Intangible assets	2,600	2,384	(398)	(676)	2,202	1,708
Goodwill	2,038	2,180	(151)	(151)	1,887	2,029
Non-capital loss carry forwards	581	479	-	-	581	479
Net capital loss carry forwards	166	241	-	-	166	241
Restructuring costs	65	37	-	-	65	37
Asset retirement obligation	3,932	3,514	-	-	3,932	3,514
Reserves	57	22	(184)	(82)	(127)	(60)
Foreign exchange adjustments	1	4	-	-	1	4
Share issue costs	470	692	\$ -	-	470	692
Deferred tax asset					-	-
Deferred tax liability					(45,509)	(42,752)
					\$ (45,509)	\$ (42,752)

11. Income Taxes (continued)

Movements in temporary differences during the year ended December 31, 2017 are as follows:

(000's)	December 31, 2016	Recognized in profit and loss	Recognized in equity	Recognized from acquisition	December 31, 2017
Property, plant and equipment	\$ (51,396)	\$ (3,290)	\$ -	\$ -	\$ (54,686)
Intangible assets	1,708	494	-	-	2,202
Goodwill	2,029	(142)	-	-	1,887
Non-capital loss carry forwards	479	102	-	-	581
Net capital loss carry forwards	241	(75)	-	-	166
Restructuring costs	37	28	-	-	65
Asset retirement obligation	3,514	418	-	-	3,932
Reserves	(60)	(67)	-	-	(127)
Foreign exchange adjustments	4	(3)	-	-	1
Share issue costs	692	(222)	-	-	470
	\$ (42,752)	\$ (2,757)	\$ -	\$ -	\$ (45,509)

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

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

12. Trade and other receivables

(000's)	December 31, 2017	December 31, 2016
Trade receivable	\$ 44,469	\$ 33,716
Accrued receivable	12,953	10,058
Construction receivables	43,274	7,242
Loans and other receivables	1,034	6,548
Receivables due from related parties	-	23
	101,730	57,587
Allowance for doubtful accounts	(2,965)	(1,043)
Trade and other receivables	\$ 98,765	\$ 56,544

Construction receivables represent progress billings to customers under open construction contracts, holdback amounts billed on construction contracts which are not due until the contract work is substantially completed, amounts recognized as revenue under open construction contracts not billed to customers and highly probable claims. The Corporation estimates that the carrying value of financial assets within trade and other receivables approximate their fair value.

13. Inventories

(000's)	December 31, 2017	December 31, 2016
Raw materials	\$ 3,904	\$ 2,290
Finished goods	3,523	2,969
	\$ 7,427	\$ 5,259

14. Assets Held for Sale

During the third quarter of 2017, the Corporation committed to a plan to sell part of the camp facility assets within the Camps & Catering segment. The Corporation classified these assets as held for sale. An impairment loss of \$3,457,000 was recorded during the period as a result of measuring the assets held for sale at the lower of cost or fair value less cost to sell. The sales agreement for the camp facility assets closed in October 2017.

Notes to the consolidated financial statements
Years ended December 31, 2017 and 2016



15. Property, Plant and Equipment

Cost	Balance		Reclassification		Impact of	Balance
	December 31,		to assets		Foreign	December 31,
(000's)	2016	Additions	Disposals	held for sale	Translation	2017
Camp facilities, setup & installation	\$ 456,452	\$ 9,660	\$ (39,987)	\$ (10,085)	\$ (6)	\$ 416,034
Land & buildings	62,341	2,302	(1,642)	-	-	63,001
Automotive & trucking equipment	44,255	4,838	(4,778)	-	-	44,315
Mats	19,954	6,082	(5,833)	-	-	20,203
Furniture, fixtures & other equipment	8,293	(346)	(1,736)	-	-	6,211
Asset retirement obligations	12,692	1,827	(198)	-	-	14,321
Assets under construction	1,452	648	-	-	-	2,100
	\$ 605,439	\$ 25,011	\$ (54,174)	\$ (10,085)	\$ (6)	\$ 566,185

Accumulated Depreciation	Balance		Reclassification		Impact of	Balance
	December 31,		to assets		Foreign	December 31,
(000's)	2016	Depreciation	Disposals	held for sale	Translation	2017
Camp facilities, setup & installation	\$ 157,197	\$ 27,469	\$ (21,109)	\$ (3,505)	\$ (6)	\$ 160,046
Land & buildings	12,590	1,323	(1,639)	-	-	12,274
Automotive & trucking equipment	29,683	4,754	(3,790)	-	-	30,647
Mats	13,309	3,959	(3,615)	-	-	13,653
Furniture, fixtures & other equipment	4,997	1,197	(1,578)	-	-	4,616
Asset retirement obligations	4,892	1,999	(64)	-	-	6,827
Assets under construction	-	-	-	-	-	-
	\$ 222,668	\$ 40,701	\$ (31,795)	\$ (3,505)	\$ (6)	\$ 228,063

Carrying Amounts	Balance		Balance
	December 31,		December 31,
(000's)	2016		2017
Camp facilities, setup & installation	\$ 299,255		\$ 255,988
Land & buildings	49,751		50,727
Automotive & trucking equipment	14,572		13,668
Mats	6,645		6,550
Furniture, fixtures & other equipment	3,296		1,595
Asset retirement obligations	7,800		7,494
Assets under construction	1,452		2,100
	\$ 382,771		\$ 338,122

Notes to the consolidated financial statements
Years ended December 31, 2017 and 2016



15. Property, Plant and Equipment (continued)

Cost	Balance			Additions		Impact of	Balance					
	December 31,			from business		Foreign	December 31,					
(000's)	2015			Additions	Disposals	combinations	Translation	2016				
Camp facilities, setup & installation	\$	470,307	\$	20,401	\$	(60,347)	\$	26,095	\$	(4)	\$	456,452
Land & buildings		55,105		7,829		(680)		87		-		62,341
Automotive & trucking equipment		44,684		67		(583)		87		-		44,255
Mats		18,594		8,386		(7,026)		-		-		19,954
Furniture, fixtures & other equipment		8,063		621		(575)		184		-		8,293
Asset retirement obligations		9,326		4,447		(1,081)		-		-		12,692
Assets under construction		8,482		(7,030)		-		-		-		1,452
	\$	614,561	\$	34,721	\$	(70,292)	\$	26,453	\$	(4)	\$	605,439
Accumulated Depreciation	Balance									Impact of	Balance	
	December 31,									Foreign	December 31,	
(000's)	2015			Depreciation	Disposals					Translation	2016	
Camp facilities, setup & installation	\$	159,758	\$	34,460	\$	(37,019)	\$		(2)	\$	157,197	
Land & buildings		9,961		1,890		739			-		12,590	
Automotive & trucking equipment		25,264		4,973		(554)			-		29,683	
Mats		13,135		3,832		(3,658)			-		13,309	
Furniture, fixtures & other equipment		4,890		1,198		(1,091)			-		4,997	
Asset retirement obligations		2,826		2,495		(429)			-		4,892	
Assets under construction		-		-		-			-		-	
	\$	215,834	\$	48,848	\$	(42,012)	\$		(2)	\$	222,668	
Carrying Amounts	Balance									Balance		
	December 31,									December 31,		
(000's)	2015									2016		
Camp facilities, setup & installation	\$	310,549								\$	299,255	
Land & buildings		45,144									49,751	
Automotive & trucking equipment		19,420									14,572	
Mats		5,459									6,645	
Furniture, fixtures & other equipment		3,173									3,296	
Asset retirement obligations		6,500									7,800	
Assets under construction		8,482									1,452	
	\$	398,727								\$	382,771	

Included in additions at December 31, 2017 are internal asset transfers between asset categories to more appropriately reflect the asset class. Included in disposals was the June 2017 sale of a large camp facility in the Alberta oil sands area where the customer exercised the contractual option to purchase the assets.

During the second quarter of 2016, the Corporation's Blacksand Executive Lodge ("Blacksand") was destroyed by the Northern Alberta wildfires. As at December 31, 2016, the Corporation had 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.

Included in the period ended December 31, 2016 additions and set out in Note 5 are assets acquired in the Karoleena Inc. business combination as at the acquisition date of June 1, 2016 and assets acquired in the Empire Camp Equipment Ltd. business combination as at the acquisition date of August 23, 2016.

15. Property, Plant and Equipment (continued)

(a) Assets under construction

At December 31, 2017, included in capital assets under construction are internal information technology projects under development, fleet equipment under construction for expansion purposes and plant optimization projects. At December 31, 2016, included in assets under construction was internal information technology projects under development as well as fleet equipment under construction for both maintenance and expansion purposes. The Corporation has not capitalized any borrowing costs for the twelve months ended December 31, 2017 (2016 - \$nil), due to the short term nature of construction.

(b) Capital commitments

At December 31, 2017 the Corporation has no outstanding commitments to purchase property, plant and equipment (2016 - \$nil).

(c) Finance lease arrangements

Included in property, plant and equipment is equipment under finance lease arrangements with a net book value of \$2,700,000 at December 31, 2017 (2016 - \$nil).

(d) Impairment indicators

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

The Corporation reviews the carrying value of the Property, Plant and Equipment assets at each reporting period for indications of impairment and considers both qualitative and quantitative factors when determining whether an asset or CGU may be impaired. During the year ended December 31, 2017 the Corporation determined that the excess of the carrying amount of the net assets of the Corporation over the market capitalization of the Corporation was considered an indicator of impairment. This indicator of impairment was noted for the Camps & Catering, Matting, Relocatable Structures and Manufacturing CGU's.

(e) Impairment testing for cash-generating units

The recoverable amounts of the CGU's were determined based on value in use calculation using discounted future cash flows generated from the continuing use of the unit over a five year period which incorporates the Corporation's 2018 forecast approved by the Board of Directors and estimated growth rates in subsequent years. The calculation of the value in use was based on the following key assumptions:

- The approved 2018 budget uses current contracts and market conditions to project revenue. Costs are calculated using historical gross margins and additional known or pending factors.
- The projections were based on a five year forecasted cash flow and extrapolated over the remaining useful life of the primary assets and discounted at a pre-tax rate of 14.88% (2016 – 13.96%) for all CGU's. The discount rate was estimated based on the Corporation's weighted average cost of capital, taking into account the nature of the assets being valued and their specific risk profile.
- Based on management's best estimates at December 31, 2017, a historic five year average utilization, direct labour hours, revenue per rentable day and profit margins, plus a 2% price inflation per year, were used to project cash flows from 2019 to 2022 in the Camps & Catering, and Matting CGU's. Based on management's best estimate at December 31, 2017 a 5% to 15% growth rate was used to project the cash flows from 2019 to 2022 for the Relocatable Structure and Manufacturing CGU's.
- The cash flows beyond 2022 have been extrapolated using a 2% per annum growth rate.
- The forecasted cash flows are based on management's best estimates of future pricing, asset utilization, rates for available equipment and costs to maintain that equipment.

15. Property, Plant and Equipment (continued)

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

The results of the tests indicated no impairment for the Camps & Catering, Matting, Relocatable Structures, and Manufacturing CGU's as at December 31, 2017 (2016 –\$nil).

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

- All else being equal, a 1.0% increase in the discount rate for the Camps & Catering and Relocatable Structures CGU's would have resulted in the carrying amount exceeding the recoverable amount by \$6,900,000 and \$1,100,000, respectively. All else being equal, a 1.0% increase in the discount rate for the Matting, and Manufacturing CGU's would have resulted in the recoverable amount exceeding the carrying amount by \$8,000,000 and \$23,100,000, respectively.
- All else being equal, a 0.5% decrease in the inflation rates would have resulted in the recoverable amount exceeding the carrying amount for the Camps & Catering, Relocatable Structures, and Matting CGU's by \$13,100,000, \$332,000 and \$9,600,000, respectively.
- All else being equal, a 1.0% decrease in the growth rate would have resulted in the carrying amount exceeding the recoverable amount for the Relocatable Structures CGU by \$41,000. All else being equal, a 1.0% decrease in the growth rate would have resulted in the recoverable amount exceeding the carrying amount for the Camps & Catering and Manufacturing CGU's by \$12,650,000 and \$23,700,000, respectively.

16. Intangible Assets and Goodwill

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

Cost	Balance December 31, 2016	Additions	Additions from business combinations	Balance December 31, 2017
(000's)				
Trade names	\$ 1,590	\$ -	\$ -	\$ 1,590
Architectural design	439	-	-	439
Customer contracts	6,053	-	-	6,053
	\$ 8,082	\$ -	\$ -	\$ 8,082
Amortization	Balance December 31, 2016	Amortization		Balance December 31, 2017
(000's)				
Trade names	\$ 134	\$ 227		\$ 361
Architectural design	51	88		139
Customer contracts	807	2,427		3,234
	\$ 992	\$ 2,742	\$ -	\$ 3,734
Carrying Amounts	Balance December 31, 2016			Balance December 31, 2017
(000's)				
Trade names	\$ 1,456			\$ 1,229
Architectural design	388			300
Customer contracts	5,246			2,819
	\$ 7,090			\$ 4,348

16. Intangible Assets and Goodwill (continued)

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

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

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

Goodwill	Balance December 31, 2017	Balance December 31, 2016
(000's)		
Balance - beginning of year	\$ 20,348	\$ -
Additions through business combinations (Note 5b)	-	3,313
Additions through business combinations (Note 5c)	197	17,035
	\$ 20,545	\$ 20,348

(a) Impairment loss

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

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

For the purpose of impairment testing, goodwill is allocated to the Corporation's CGU which represent the lowest level at which goodwill is monitored for internal management purposes and which are not higher than the Corporation's operating segments. At December 31, 2017 the carrying amount of Goodwill totaling \$17,232,000 was allocated to the Cams & Catering CGU as a result of the Empire acquisition and \$3,313,000 was allocated to the Manufacturing CGU as a result of the Karoleena acquisition.

The recoverable amounts of the CGU's were determined based on a value in use calculation which was determined by discounting future cash flows generated from the continuing use of the unit on a five year forecast which incorporates the Corporation's 2018 budget approved by the Board of Directors. The calculation of the value in use was based on the same key assumptions disclosed in Note 15(e).

The results of the tests indicated no impairment for the Cams & Catering and Manufacturing CGU's at December 31, 2017 (2016 –\$nil impairment to the Cams & Catering CGU).

17. Other Assets

The Corporation's other assets consists of a 25 year prepaid lease for a building and land to accommodate a portion of the Corporation's manufacturing operations in Kamloops, British Columbia with a carrying amount of \$2,041,000 (2016 - \$2,169,000). The amount expensed during the year ended December 31, 2017 related to the prepaid lease was \$128,000 (2016 - \$132,000) with 17 years remaining.

18. Loans and Borrowings

(000's)	December 31, 2017	December 31, 2016
Committed credit facility	\$ 73,016	\$ 75,268

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

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 covenants for the periods ending September 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 Calculation December 31, 2017	Debt Covenants
Maximum Consolidated Senior debt ⁽¹⁾ to Consolidated EBITDAS ratio ⁽³⁾⁽⁴⁾	2.43:1.00	4.25:1.00 or less
Maximum Consolidated Total debt ⁽²⁾ to Consolidated EBITDAS ratio ⁽³⁾⁽⁵⁾	2.48:1.00	4.25:1.00 or less
Minimum Consolidated Interest coverage ratio ⁽⁶⁾	9.71:1.00	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, impairment, gain/loss on disposal of property, plant and equipment, earnings from equity investments, and share based compensation) is not a recognized measure under IFRS. Management believes that in addition to net earnings, EBITDAS is a useful supplemental measure as it provides an indication of the Corporation's ability to generate cash flow in order to fund working capital, service debt, pay current income taxes and fund capital programs, and it is regularly provided to and reviewed by the Chief Operating Decision Maker. Horizon North's method of calculating EBITDAS may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities.

(4) Senior debt to EBITDAS is calculated as the ratio of senior debt to trailing 12 months EBITDAS.

(5) Total debt to EBITDAS is calculated as the ratio of total debt to trailing 12 months EBITDAS.

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

As at December 31, 2017, the Corporation was in compliance with all financial and non-financial covenants related to the Credit Facility.

Principal Repayments for Loans and Borrowings

(000's)	December 31, 2017	December 31, 2016
2018	\$ -	\$ 75,268
2019	73,016	-
2020	-	-
2021	-	-
2022 and beyond	-	-
	\$ 73,016	\$ 75,268

19. Asset retirement obligations, leases and commitments

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

(000's)	Amount
2018	\$ 5,101
2019	2,660
2020	2,188
2021	2,169
2022 and beyond	3,377
	\$ 15,495

The estimated present value of rehabilitating the sites at the end of their useful lives has been estimated using existing technology, at inflated prices, and discounted using a risk free rate. The future value amount at December 31, 2017 was \$15,899,000 (2016 - \$13,889,000) and determined using risk free interest rates of 1.66% to 1.97% (2016 - 0.80% to 1.59%) and an inflation rate of 2.0% (2016 - 2.0%). The timing of these payments is dependent on various factors, such as the estimated lives of the equipment and industry activity in the region, but is anticipated to occur between 2018 and 2025.

	December 31, 2017	December 31, 2016
(000's)		
Current	\$ 3,347	\$ 1,665
Non-current	11,217	11,417
Balance, end of year	\$ 14,564	\$ 13,082

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

Maturity date	Amount (000's)
February 1, 2018	\$ 50
March 18, 2018	1,804
March 31, 2018	32
April 14, 2018	50
April 17, 2018	200
July 18, 2018	5
September 26, 2018	15
September 29, 2018	84
November 2, 2018	74

19. Asset retirement obligations, leases and commitments (continued)

- (c) The Corporation has entered into finance lease agreements for equipment. The average lease term is 18 months (2016 – nil) and the obligations under finance leases are secured by the related assets. Interest rates for the underlying finance lease obligations are fixed at rates ranging from 5.2% to 5.7% per annum. The related lease liability of \$1,588,000 is payable within 2018.

The Corporation also rents premises and equipment under multiple operating lease contracts with varying expiration dates.

The minimum lease payments under these leases over the next five years and beyond are as follows:

(000's)	Amount
2018	\$ 5,101
2019	2,660
2020	2,188
2021	2,169
2022 and beyond	3,377
	\$ 15,495

20. Share Capital

- (a) Authorized

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

Unlimited number of preferred shares issuable in series.

- (b) Issued

	Number	Amount (000's)
Balance at December 31, 2015	132,606,651	\$ 265,867
Common shares issued	12,015,355	20,842
Share issue costs, net of tax	-	(35)
Balance at December 31, 2016	144,622,006	\$ 286,674
Share options exercised	53,333	80
Balance at December 31, 2017	144,675,339	\$ 286,754

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

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

20. Share Capital (continued)

(c) Share option plan

The Corporation has a share option plan for its directors, officers, and key employees whereby options may be granted, to a maximum of 10% of the issued and outstanding common shares, subject to terms and conditions. Share option vesting privileges are at the discretion of the Board of Directors and were set at three years. The Corporation uses graded vesting for share options over the period in which the option vests. All share options are equity settled with a weighted average remaining contractual life of 2.8 years and all options granted have a maximum term of 5 years.

	Twelve months ended December 31, 2017		Twelve months 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	2,633,000	1.46	1,800,000	1.27
Forfeited	(1,012,614)	3.69	(767,417)	3.99
Expired	(1,610,405)	6.28	-	-
Exercised	(53,333)	1.16	-	-
Balance, end of period	8,342,385	\$ 2.97	8,385,737	\$ 4.15

	Twelve months ended December 31, 2017		Twelve months 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	1,995,285	3.31	1,817,870	4.35
Forfeited	(470,617)	5.10	(358,730)	5.40
Expired	(1,610,405)	6.28	-	-
Exercised	(53,333)	1.16	-	-
Balance, end of period	4,029,525	\$ 4.43	4,168,595	\$ 5.71

The exercise prices for options outstanding and exercisable at December 31, 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 \$1.37	1,264,500	\$ 1.17	3.3	388,331	\$ 1.16
\$1.38 to \$1.61	2,328,500	1.47	4.4	-	-
\$1.62 to \$2.06	330,000	1.79	3.7	110,000	1.79
\$2.07 to \$2.83	2,571,500	2.30	2.1	1,714,311	2.30
\$2.84 to \$9.01	1,847,885	7.23	1.3	1,816,883	7.29
	8,342,385	\$ 2.97	2.8	4,029,525	\$ 4.43

The weighted average share price at the date of exercise for share options exercised during the year ended December 31, 2017 was \$1.45/share (2016 – no shares exercised).

20. Share Capital (continued)

(c) Share option plan (continued)

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

	December 31, 2017	December 31, 2016
Weighted average fair value per option	\$ 0.47	\$ 0.37
Weighted average forfeiture rate	8.51%	8.05%
Weighted average grant price	\$ 1.46	\$ 1.27
Weighted average expected life	3.0 years	3.0 years
Weighted average risk free interest rate	0.81%	0.58%
Weighted average dividend yield rate	5.47%	6.60%
Weighted average volatility	64.69%	61.89%

Expected volatility is estimated by considering historic average share price volatility. For the twelve months ended December 31, 2017, share based compensation for share options included in net loss amounted to \$734,000 (2016 - \$1,014,000).

(d) Restricted share unit plan

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

The following table summarizes the RSUs outstanding:

	Number
Units outstanding at December 31, 2016	1,050,600
Granted	1,225,735
Forfeited	(150,934)
Exercised	(319,394)
Units outstanding at December 31, 2017	1,806,007

The following table summarizes the RSUs fair value per unit at the time of issuance and as at December 31, 2017:

	Units Issued	Fair Value at Grant Date (\$ per unit)	Fair Value at December 31, 2017
Opening, Issued in 2016	1,118,400		1.54
Issued on January 16, 2017	12,000	2.05	1.54
Issued on February 21, 2017	12,000	1.95	1.54
Issued on April 10, 2017	12,000	1.76	1.54
Issued on May 15, 2017	756,500	1.47	1.54
Issued on June 1, 2017	381,235	1.44	1.54
Issued on June 19, 2017	32,000	1.31	1.54
Issued on September 11, 2017	20,000	1.27	1.54

For the twelve months ended December 31, 2017, \$632,000 (2016 - \$637,000) was included in accounts payable and accrued liabilities for outstanding RSUs. For the twelve months ended December 31, 2017, share based compensation for RSUs included in net loss amounted to \$442,000 (2016 - \$637,000), with a weighted average remaining term of 1.9 years.

21. Earnings Per Share

The calculation of basic earnings per share for the twelve months ended December 31, 2017 was based on the total loss attributable to common shareholders of \$7,843,000 (2016 - \$20,316,000).

A summary of the common shares used in calculating earnings per share for the twelve months ended December 31, 2017 and 2016 is as follows:

	December 31, 2017	December 31, 2016
Number of common shares, beginning of period	144,622,006	132,606,651
Weighted average effect of common shares issued	23,594	4,568,632
Weighted average common shares outstanding – basic	144,645,600	137,175,283
Effect of share purchase options ⁽¹⁾	-	-
Weighted average common shares outstanding – diluted	144,645,600	137,175,283

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

For the twelve months ended December 31, 2017, 8,342,385 share options (2016 - 8,385,737) were excluded from the calculation of weighted average common shares outstanding - diluted as the result would be anti-dilutive.

22. Dividends

For the twelve months ended December 31, 2017, the Corporation paid dividends totaling \$11,571,000 (December 31, 2016 - \$13,525,000).

(000's except per share amounts)	2017		2016	
Record Date	Amount per share	amount	Amount per share	amount
March 31	\$ 0.02	\$ 2,892	\$ 0.02	\$ 2,652
June 30	0.02	2,893	0.02	2,676
September 30	0.02	2,894	0.02	2,892
December 31	0.02	2,894	0.02	2,892
	\$ 0.08	\$ 11,573	\$ 0.08	\$ 11,112

On March 13, 2018, the Corporation's Board of Directors declared a dividend for the first quarter of 2018 at \$0.02 per share. The dividend is payable to shareholders of record at the close of business on March 31, 2018 to be paid on April 12, 2018.

23. Financial Risk Management

(a) Overview

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

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

23. Financial Risk Management (continued)

(b) Credit risk

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

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

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

(000's)	December 31, 2017	December 31, 2016
Trade receivables		
Neither impaired nor past due	\$ 23,161	\$ 22,066
Outstanding 31-60 days	11,820	6,522
Outstanding 61-90 days	2,221	1,750
Outstanding more than 90 days	7,267	3,401
Total trade receivables	\$ 44,469	\$ 33,739
Construction receivables		
Neither impaired nor past due	\$ 18,655	\$ 2,369
Outstanding 31-60 days	918	25
Outstanding 61-90 days	-	1,053
Outstanding more than 90 days	14,006	434
Total construction receivables	\$ 33,579	\$ 3,881
Accrued revenue	12,953	10,058
Accrued construction revenue	9,695	3,361
Other receivables	1,034	6,548
Allowance for doubtful accounts	(2,965)	(1,043)
Total trade and other receivables	\$ 98,765	\$ 56,544

In the twelve months ended December 31, 2017, the Corporation provided an allowance for \$2,965,000 of receivables aged greater than 90 days and collected \$454,000 that had previously been allowed for. The Corporation also applied \$20,000 of allowance for doubtful accounts against the associated receivable balance. As at March 13, 2018, the Corporation has collected \$2,484,000 on amounts outstanding more than 90 days.

Construction receivables represent progress billings to customers under open construction contracts, holdback amounts billed on construction contracts which are not due until the contract work is substantially completed, amounts recognized as revenue under open construction contracts not billed to customers and highly probable claims. At December 31, 2017, included in construction receivables were holdbacks of \$209,000 (2016 - \$7,900).

23. Financial Risk Management (continued)

(c) Liquidity risk

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

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

As at December 31, 2017, the Corporation has \$76,984,000 of available room on its committed credit facility (Note 18). The following shows the timing of cash outflows relating to trade and other payables and loans and borrowings:

	December 31, 2017			December 31, 2016		
	Trade and other payables ⁽¹⁾	Loans and Borrowings ⁽²⁾	Total	Trade and other payables ⁽¹⁾	Loans and Borrowings ⁽²⁾	Total
2017	\$ -	\$ -	\$ -	\$ 30,200	\$ -	\$ 30,200
2018	37,936	-	37,936	3,248	75,268	78,516
2019	-	73,016	73,016	-	-	-
2020	6,276	-	6,276	3,121	-	3,121
2021	-	-	-	-	-	-
2022 and beyond	4,941	-	4,941	5,048	-	5,048
	\$ 49,153	\$ 73,016	\$ 122,169	\$ 41,617	\$ 75,268	\$ 116,885

(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's note payable have been recorded according to estimated utilization of specific equipment.

(d) Market risk

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

(i) Foreign currency exchange risk

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

As the foreign currency exchange risks are primarily based on the realized foreign exchange, the following sensitivity analysis is to determine the impact on cash used in operating activities. The effect of a \$0.01 increase in the USD/CAD exchange rate would decrease cash used in operating activities for the twelve months ended December 31, 2017 by approximately \$77,000 (December 31, 2016 - \$26,000). This assumes that the quantity of USD raw material purchases and the foreign operations in the year remain unchanged and that the change in the USD/CAD exchange rate is effective from the beginning of the year.

(ii) Interest rate risk

The Corporation is exposed to interest rate risk as changes in interest rates may affect interest expense and future cash flows. The primary exposure is related to the Corporation's revolving credit facility which bears interest on a grid pricing structure based on the Corporation's debt to EBITDAS ratio. Amounts drawn on the credit facility incur interest at bank prime plus 0.50% to 2.25% or the Bankers' Acceptance rate plus 1.50% to 3.25%. If prime were to have increased by 1.00%, it is estimated that the Corporation's net earnings would have decreased by approximately \$700,000 for the twelve months ended December 31, 2017 (December 31, 2016 - \$687,000). This assumes that the amount and mix of fixed and floating rate debt in the year remains unchanged and that the change in interest rates is effective from the beginning of the year.

24. Capital Management

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

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

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

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

The Corporation's strategy during the twelve months ended December 31, 2017, which was unchanged from 2016, is to maintain an appropriate level of loans and borrowings in comparison to EBITDAS⁽¹⁾ and total loans and borrowings plus shareholders' equity.

	December 31, 2017	December 31, 2016
(000's)		
Statement of financial position components of ratios		
Current loans and borrowings ⁽²⁾	\$ 1,588	\$ -
Loans and borrowings ⁽²⁾	73,016	75,268
Total loans and borrowings	\$ 74,604	\$ 75,268
Shareholders' equity	305,064	323,687
Total loans and borrowings plus shareholders' equity	\$ 379,668	\$ 398,955
Statement of comprehensive income components of ratios (trailing 12 months)		
Operating loss	\$ (5,935)	\$ (22,204)
Depreciation	40,701	48,848
Amortization	2,742	992
Impairment loss	3,457	-
Gain on disposal of property, plant and equipment	(12,094)	(626)
Share based compensation	1,174	1,651
EBITDAS ⁽¹⁾	\$ 30,045	\$ 28,661
Total loans and borrowings to EBITDAS ⁽¹⁾	2.48	2.46
Total loans and borrowings to total loans and borrowings plus shareholders' equity	0.20	0.19

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

(2) The Corporation's loans and borrowings include the committed credit facility and finance lease liabilities. The Corporation's variable-rate committed credit facility approximates its carrying value, as it is at a floating market rate of interest.

25. 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.

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

Twelve months ended December 31, 2017 (000's)	Camps & Catering	Rentals & Logistics	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	\$ 224,430	\$ 52,979	\$ 46,755	\$ -	\$ (82)	\$ 324,082
EBITDAS ⁽¹⁾	43,524	13,913	(14,626)	(12,766)	-	30,045
Depreciation and amortization	30,466	10,304	2,030	645	(2)	43,443
Impairment loss	3,457	-	-	-	-	3,457
(Gain) loss on disposal of assets	(11,900)	(285)	(4)	147	(52)	(12,094)
Share based compensation	219	22	127	806	-	1,174
Operating (loss) earnings	21,282	3,872	(16,779)	(14,364)	54	(5,935)
Total assets	346,824	62,875	64,195	5,856	-	479,750
Capital expenditures	11,799	6,401	1,309	606	-	20,115

Twelve months ended December 31, 2016 (000's)	Camps & Catering	Rentals & Logistics	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	\$ 204,331	\$ 38,317	\$ 8,287	\$ -	\$ -	\$ 250,935
EBITDAS ⁽¹⁾	35,233	9,356	(4,411)	(11,517)	-	28,661
Depreciation and amortization	36,032	11,083	1,888	915	(78)	49,840
Gain on disposal of assets	(335)	(199)	(15)	(19)	(58)	(626)
Share based compensation	364	165	162	960	-	1,651
Operating (loss) earnings	(828)	(1,693)	(6,446)	(13,373)	136	(22,204)
Total assets	378,803	66,096	31,020	9,182	-	485,101
Capital expenditures	23,779	4,242	1,575	677	-	30,273

The Corporation has one major customer in the Camps & Catering segment which generated 10% of total revenues for the year ended December 31, 2017 (December 31, 2016 – one major customer generated 11%).

(1) EBITDAS (Earnings before interest, taxes, depreciation, amortization, impairment, 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.

26. Related Parties

(000's)	December 31, 2017	December 31, 2016
Joint venture		
Recovery of administrative overhead	\$ 60	\$ 60
Included in accounts receivable	-	23
Key management personnel interests		
Sales	\$ 1,264	\$ 1,320
Included in accounts receivable	140	-

The Corporation earned a management fee for the year ended December 31, 2017 of \$60,000 (2016 - \$60,000) for the recovery of administrative overhead related to accounting and management services provided to Arctic Oil & Gas Services Ltd ("AOGS"), a joint venture that was 50% owned by the Corporation. As at December 31, 2017, the Corporation sold the 50% investment in AOGS for total consideration of \$1.

AOGS earned revenue during the year ended December 31, 2017 of \$1,116,000 (2016 - \$1,319,000) for catering services provided to E. Gruben's Transport Ltd, of which a director of the Corporation is the Chief Executive Officer. The amounts included in trade receivables of AOGS as at December 31, 2017 is \$140,000 (2016 - \$nil).

The Corporation earned revenue during the year ended December 31, 2017 of \$148,000 (2016 - \$1,000) for catering services provided to Trican Well Service Ltd., of which a director of the Corporation is a Director. There were no amounts included in trade receivables as at December 31, 2017 (2016 - \$nil).

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

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

Key management personnel compensation for the year ended December 31, 2017 and 2016 is comprised as follows:

(000's)	December 31, 2017	December 31, 2016
Short-term employee benefits	\$ 2,148	\$ 2,143
Post-employment benefits	82	61
Share based compensation	943	749
	\$ 3,173	\$ 2,953

27. Supplemental Information

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

(000's)	December 31, 2017	December 31, 2016
Trade and other receivable	\$ (42,221)	\$ (2,912)
Inventories	(2,168)	6,057
Prepayments	(1,479)	(281)
Trade and other payables	4,464	(316)
Deferred revenue	5,231	945
Purchases of rental fleet	(4,519)	(8,386)
Acquired working capital	-	(335)
Finance cost payable	110	96
	\$ (40,582)	\$ (5,132)

28. Significant Subsidiaries

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

Subsidiary Name	Country of Incorporation	Ownership Interest (%)	
		December 31, 2017	December 31, 2016
Horizon North Camp & Catering Partnership	Canada	100	100
Kitikmeot Caterers Ltd ("Kitikmeot")	Canada	49	49
Acho Horizon North Camp Services Limited Partnership ("Acho")	Canada	49	49
Secwepemc Camps & Catering Limited Partnership ("Secwepemc")	Canada	49	49
Halfway River Horizon North Limited Partnership ("HRHN")	Canada	49	49
Two Lakes Horizon North Limited Partnership ("TLHN")	Canada	49	49
Acden Horizon North Limited Partnership ("Acden")	Canada	49	-
Sekui Limited Partnership ("Sekui")	Canada	49	-

The Partnership is the primary operating entity of the Corporation.

(a) Special purpose entities

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

29. Subsequent Event

On January 8, 2018, the Corporation completed an asset purchase for a 288 person Camp Facility south of Fort McMurray, Alberta for a total purchase price of \$14,000,000.