



HORIZON NORTH

Annual Report 2017

Table of Contents

	Page
Information on Annual Meeting	ifc
President's Letter to Shareholders	3
Management's Discussion and Analysis	4
Management's Report to Shareholders	34
Independent Auditors' Report to Shareholders	35
Consolidated Financial Statements	36
Notes to the Consolidated Financial Statements	40
Corporate Information	obc

Information on the Annual General Meeting

The Annual General Meeting of holders of common shares of Horizon North Logistics Inc. will be held on the 9th day of May 2018 at 3:00 p.m. (local time) in the McMurray Room of the Calgary Petroleum Club, 319 – 5th Avenue SW, Calgary, Alberta.

Shareholders are encouraged to attend and those unable to do so are requested to complete and submit the Instrument of Proxy at their earliest convenience.

President's Letter to Shareholders

Dear Shareholders,

I appreciate the opportunity to write this letter to you as President and CEO of Horizon North. I stepped into this position at the beginning of 2015 and immediately undertook a necessary three-year journey of transformational change. The company has grown from one with an existential reliance on the oil and gas industry to one with a diversified portfolio of offerings that is capable of weathering headwinds that may arise in any of our business sectors. While the financial performance for 2017 was not to my satisfaction I believe the numerous alterations and adjustments we made over the past 36 months will culminate in 2018 being our Year of Execution, an opportunity for our stakeholders to be rewarded.

As a stakeholder you have many choices of entities to follow. I am often asked: "Why Horizon North? What sets your company apart from the others?" It is our diverse profile of strong business verticals that stand out in the industry and form the foundation for our 2018 execution strategy:

- **Industrial Infrastructure**—We provide safe, reliable access to remote resource development and do it with a low environmental footprint, utilizing long lasting product like oak matting and environmentally responsible stabilization solutions.
- **Workforce Accommodations Northern Canada**—Across remote parts of Canada's North, we provide our customers world class hospitality and maintenance services across highly variable and hostile weather environments. We do this by being innovative in anticipating our customer's needs and servicing those needs with a highly specialized team of solution-oriented experts who are humble, relationship-driven, agile and highly efficient.
- **Workforce Accommodations W5/W6**—We are the largest provider of "open camp" rooms in this geologically prolific hydrocarbon resource. Our full turnkey solution allows for us to be nimble in finding the right geography and the right gear profile at the right value proposition.
- **Workforce Accommodations Oil Sands**—We provide our customers in the region with a hospitality and maintenance offering that affords them the capability to service thousands of guests during the peaks and valleys of the labour demands that exist throughout the year. Our turnkey offering is underpinned by two prominent relationships with Aboriginal communities—one to the north of Fort McMurray, Alberta and one to the south of the city.
- **Northwest British Columbia**—We maintain extremely attractive land profiles in Kitimat, Terrace and Prince Rupert that will allow us to benefit tremendously from industrial activity we believe is on the cusp of development in the region.
- **Modular Solutions**—We pair sophisticated software integration and a vastly reduced environmental footprint with an emphasis on quality, safety, and cost and timetable certainty. This has made our modular offering the go-to choice for commercial product that includes affordable housing, hotels, condos, student housing, senior centers, and retail locations.

What makes these verticals stand out and succeed is our belief in people—those we work with and our own employees. This is illustrated by three fundamental pieces that remain inviolable to us as we moved forward.

- **Safety**—We are one of the few participants in our industry prepared to provide full and true disclosure of our safety records for all stakeholders to review. Our Total Recordable Incident Rate for 2017 was 0.63 and we received Gold Level Standing for Canada's Safest Employers.
- **Aboriginal and Community Affairs**—We are investors in strong partnerships with Aboriginal communities—we have 23 partnerships across Western and Northern Canada and proudly employ 12 percent of our workforce as self-identified First Nations members. We do more than talk the talk, we offer true partnership.
- **Human Resources**—We believe our employees deserve a competitive wage and benefit plan and we continue to invest the requisite time on innovative human resource strategies to maintain that accuracy.

We Believe we are building a better Horizon North for all stakeholders. Thank you for your support as we continue along our transformational journey.



Rod Graham,
President, CEO and Director

Management's Discussion and Analysis

Three months and years ended December 31, 2017 and 2016



This Management's Discussion and Analysis ("MD&A"), prepared as at March 13, 2018 focuses on key statistics from the Consolidated Financial Statements and pertains to known risks and uncertainties relating to the business carried on by Horizon North Logistics Inc. ("Horizon North" or the "Corporation"). This discussion should not be considered all-inclusive, as it does not attempt to include changes that may occur in general economic, political and environmental conditions.

Annual Key Comments

- Results for 2017 were stronger across most financial measures compared to 2016;
- The Modular Solutions business gained significant momentum throughout Q4, closing 2017 with a backlog of \$43.9 million and high probability opportunities of \$148.0 million compared to \$10.7 million and \$50.0 million for year ended 2016;
- The Industrial Services business announced over \$80.0 million of contract awards throughout 2017 including a significant mining project in the Qikiqtaaluk region of Nunavut;
- Horizon North finalized two additional Aboriginal partnerships in the second half of 2017, one north and one south of Fort McMurray, Alberta. Working with and developing strong Aboriginal relationships is one of Horizon North's core values and a key element of the Corporation's oil sands strategy.
- Subsequent to year end, Horizon North completed a \$14.0 million acquisition of the 288 bed Moose Haven Lodge south of Fort McMurray, Alberta. This acquisition was a key part of Horizon North's strategy to secure opportunities in the Fort McMurray, Alberta area.

Annual Financial Summary

(000's except per share amounts)	Years ended December 31,				
	2017	% change	2016	% change	2015
Revenue	\$ 324,082	29	\$ 250,935	(32)	\$ 369,889
EBITDAS ⁽¹⁾	30,045	5	28,661	(54)	62,460
EBITDAS as a % of revenue	9%		11%		17%
Operating loss	(5,935)	(73)	(22,204)	(565)	4,778
Operating earnings as a % of revenue	(2%)		(9%)		1%
Total loss	(7,843)	(61)	(20,316)	2,342	(832)
Total comprehensive loss	(7,846)	(62)	(20,383)	2,530	(775)
Earnings per share					
Basic	\$ (0.05)		\$ (0.15)		\$ (0.01)
Diluted	\$ (0.05)		\$ (0.15)		\$ (0.01)
Total assets	\$ 479,750	(1)	\$ 485,101	3	\$ 469,504
Total loans and borrowings	74,604	(1)	75,268	31	57,527
Funds from operations	51,168	36	37,693	(36)	59,148
Net Capital (proceeds) spending	(23,830)	(227)	18,692	(58)	44,643
Senior debt to EBITDAS ⁽²⁾	2.43:1.00		2.46:1.00		0.92:1.00
Total debt to EBITDAS ⁽²⁾	2.48:1.00		2.46:1.00		0.92:1.00
Debt to total capitalization ratio ⁽²⁾	0.19:1.00		0.19:1.00		0.15:1.00
Dividends declared	\$ 11,573		\$ 11,112		\$ 33,641
Dividends declared per share	\$ 0.08		\$ 0.08		\$ 0.28

(1) Please refer to page 27 of the Management's Discussion and Analysis for the definitions of Non-GAAP and additional GAAP measures and reconciliation of Net Earnings to EBITDAS.

(2) Please refer to page 17 of the Management's Discussion and Analysis for the definitions of Debt to EBITDAS.

Annual Overview

Results for the year ended December 31, 2017 ("2017") were above the comparative year ended December 31, 2016 ("2016", "comparative year"). Compared to 2016, Horizon North had stronger revenues across all operations with the Industrial Services strength coming from several significant camp equipment sales, increased catering only volumes and increased demand for access mat sales and rentals. The matting activity was primarily driven by increased activity levels in the Grande Prairie, Alberta region known as "W5/W6". Modular Solutions completed two pivotal projects in the first half of 2017 which clearly validated the benefits of modular and drove a significant increase in project volumes for the back half of 2017.

Revenues from camp rental and catering operations for 2017 increased by 10% compared to the same period of 2016 mainly as a result of camp equipment sales and stronger catering only activity which was driven by the additional Aboriginal partnerships finalized in the second half of 2017. Large camp activity levels decreased compared to 2016 as a result of several contracts which expired or ramped down during 2016 as the associated projects were completed. The lower demand resulted in revenue per average available bed ("RevPAAB") and utilization of \$39 and 51% respectively, down from \$46 and 53% in 2016. The rentable bed fleet at the close of 2017 was 8,530 beds, a 9% reduction, reflective of the camp equipment sales completed in Q2 and Q4 2017.

Revenues from the Rentals and Logistics segment increased compared to 2016 as a result of stronger demand for access mat sales and rentals primarily driven by higher activity levels in the W5/W6 region south of Grande Prairie. Utilization and pricing of the mat rental fleet was 76% and \$0.91 per mat rental day respectively, compared to 49% and \$1.07 in 2016. The mat rental fleet closed 2017 at 29,731 mats, relatively consistent with 2016. The stronger matting revenues were partially offset by a decrease in relocatable structure rental revenues. Relocatable structure rental revenues declined compared to 2016 due to a decrease in activity levels and softer pricing as a result of contract mix and downward pressure on pricing. Utilization improved slightly mainly due to the reduction in fleet size which decreased 9% compared to 2016.

Modular Solutions revenues for 2017 were well above 2016 as a result of an increased number of projects compared to 2016. Two projects in the first half of 2017, an 85 room hotel in Revelstoke, British Columbia and a transitional housing complex for the Vancouver Affordable Housing Agency, demonstrated the advantages of modular construction and drove a higher volume of projects in the second half of 2017.

Consolidated EBITDAS improved by 5% compared to 2016 mainly as a result of increased volumes across all operations. As a percentage of revenue consolidated EBITDAS softened slightly with stronger results from Industrial Services being offset by Modular Solutions. Industrial Services EBITDAS strengthened to 21% as a percentage of revenue compared to 18% in 2016 as a result of camp equipment sales and cost controls implemented in 2017. Modular Solutions experienced a loss due to low volumes in the first three quarters of the year and significant ramp-up activities in Q4 2017 to achieve production schedules.

Depreciation and amortization for 2017 decreased compared to 2016 as a result of certain camp setup costs being fully depreciated and the disposal of camp assets throughout the year, primarily the sale of a 450 person camp in Q2 and a large camp equipment sale in Q4 of 2017.

The total loss for 2017 was significantly lower compared to 2016. 2017 included a gain on disposal related to an insurance settlement for the loss of the Blacksand Executive Lodge, experienced in the 2016 Fort McMurray, Alberta wildfires, partially offset by an impairment loss on certain camp assets held for sale in Q3 of 2017 and subsequently sold in Q4.

Horizon North continued to maintain a strong focus on managing the Statement of Financial Position through minimizing working capital and a reduced capital program. Total loans and borrowings were \$74.6 million at December 31, 2017 compared to \$75.3 million at December 31, 2016. As a result of the decreased debt and stronger EBITDAS, the Debt to EBITDAS ratio was 2.48:1.00 compared to 2.46:1.00 at December 31, 2016.

Outlook

Horizon North's focus in 2018 will continue to be on building out and expanding on initiatives started in 2017, initiatives intended to strengthen and diversify the Industrial Services business.

For 2018, Horizon North expects the revenue and EBITDAS momentum seen in Q4 2017 to continue with the Industrial Services business anticipating moderate strengthening of activity levels as compared to 2017. Although commodity prices have shown some stability, Horizon North does not expect to see any significant strengthening in pricing from 2017 levels and will continue to focus on cost control to improve EBITDAS levels. The Modular Solutions business exited 2017 with a significant backlog and is anticipated to have positive EBITDAS in 2018 through improving efficiencies as the production rate increases to execute on backlog.

The Industrial Services business will be focused on continuing to build-out and expand on the three phase strategy initiated in 2017:

- Leverage the Aboriginal relationships entered into in the second half of 2017 which cover regions north and south of Fort McMurray, Alberta. A significant project undertaken in the second half of 2017 has shown the potential of this region and 2018 is expected to bring several similar projects;
- Focus on the Grande Prairie, Alberta region through securing strategic land locations positioning Horizon North to participate fully in the continued high activity levels expected in the conventional W5/W6 market; and
- Grow Horizon North's presence in the mining sector, specifically on developing opportunities in northern Canada where Horizon North has a strong track record.

Late in 2014 Horizon North undertook several initiatives to develop and secure suitable land positions near proposed LNG project sites on British Columbia's west coast. Horizon North maintained a longer term view of LNG development and continued these initiatives, completing the development of its land asset in Kitimat and building strong relationships with regional First Nations and the municipality. Given the recent renewed potential of LNG projects, Horizon North is now well positioned to take full advantage of opportunities as they arise.

The Modular Solutions business is expected to continue its growth based on a strengthening backlog and high quality opportunity pipeline which is underpinned largely by social infrastructure and affordable housing projects, a focus by all levels of government. The backlog and opportunity pipeline are providing a higher level of visibility to the business requiring an increase in labour force at our Kamloops, British Columbia manufacturing facility to achieve a critical mass of scale and manufacturing throughput. Horizon North anticipates that Modular Solutions will continue its trend of earnings improvement and contribute positive EBITDAS throughout 2018 as increased volumes drive improved economies of scale.

The strength of the Statement of Financial Position was a priority for Horizon North throughout 2017, and will continue to be a focus for 2018. Cost reduction measures across our operations and the continued centralization of certain general and administrative functions will drive improved cash flow through efficiencies. In addition to a limited and tightly managed capital program, 2018 will continue to assess Horizon North's portfolio of assets to ensure a focus on core business lines. This combination of actions will help ensure the continued strength with respect to the financial position of Horizon North.

Dividend Payment

Horizon North announced today that its Board of Directors has declared a dividend for the first quarter of 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. The Board of Directors regularly monitors the strength of the Statement of Financial Position, cash from operations and capital requirements to ensure the overall sustainability of Horizon North is not compromised. The dividends will be eligible dividends for Canadian tax purposes.

Management's Discussion and Analysis
Three months and years ended December 31, 2017 and 2016



Annual Financial Results

(000's)	Twelve months ended December 31, 2017					Total
	Industrial Services	Modular Solutions	Corporate	Eliminations		
Revenue	\$ 277,409	\$ 46,755	\$ -	\$ (82)	\$	324,082
Expenses						
Direct costs	213,534	59,174	-	(82)		272,626
Selling & administrative expenses	6,438	2,207	12,766	-		21,411
EBITDAS	\$ 57,437	\$ (14,626)	\$ (12,766)	\$ -	\$	30,045
EBITDAS as a % of revenue	21%	(31%)	-	-		9%
Share based compensation	241	127	806	-		1,174
Depreciation & amortization	40,770	2,030	645	(2)		43,443
Impairment loss	3,457	-	-	-		3,457
Loss (gain) on disposal of property, plant and equipment	(12,185)	(4)	147	(52)		(12,094)
Operating (loss) earnings	\$ 25,154	\$ (16,779)	\$ (14,364)	\$ 54	\$	(5,935)
Finance costs						2,824
Income tax recovery						(916)
Total profit (loss)					\$	(7,843)
Other comprehensive income (loss)						(3)
Total comprehensive income (loss)						(7,846)
Earnings (loss) per share – basic					\$	(0.05)
– diluted					\$	(0.05)

(000's)	Twelve months ended December 31, 2016					Total
	Industrial Services	Modular Solutions	Corporate	Eliminations		
Revenue	\$ 242,648	\$ 8,287	\$ -	\$ -	\$	250,935
Expenses						
Direct costs	193,020	11,497	(377)	-		204,140
Selling & administrative expenses	5,039	1,201	11,894	-		18,134
EBITDAS	\$ 44,589	\$ (4,411)	\$ (11,517)	\$ -	\$	28,661
EBITDAS as a % of revenue	18%	(53%)	-	-		11%
Share based compensation	529	162	960	-		1,651
Depreciation & amortization	47,115	1,888	915	(78)		49,840
Loss (gain) on disposal of property, plant and equipment	(534)	(15)	(19)	(58)		(626)
Operating (loss) earnings	\$ (2,521)	\$ (6,446)	\$ (13,373)	\$ 136	\$	(22,204)
Finance costs						2,407
Earnings on equity Investments						(126)
Income tax recovery						(4,169)
Total profit (loss)					\$	(20,316)
Other comprehensive income (loss)						(67)
Total comprehensive income (loss)						(20,383)
Earnings (loss) per share – basic					\$	(0.15)
– diluted					\$	(0.15)

Fourth Quarter Key Comments

- Results for Q4 2017 were stronger than Q4 2016 as a result of higher volumes across all operations.
- The Modular Solutions business gained significant momentum throughout Q4, closing 2017 with a backlog of \$43.9 million and high probability opportunities of \$148.0 million compared to \$10.7 million and \$50.0 million for year ended 2016;
- Horizon North finalized two new Aboriginal partnerships in Q4 of 2017, one north and one south of Fort McMurray, Alberta. Working with and developing strong Aboriginal relationships is one of Horizon North's core values; and
- Subsequent to year end, Horizon North completed a \$14.0 million acquisition of the 288 bed Moose Haven Lodge south of Fort McMurray, Alberta. This acquisition was a key part of Horizon North's strategy to secure opportunities in the Fort McMurray, Alberta area.

Fourth Quarter Financial Summary

(000's except per share amounts)	Three months ended December 31,		
	2017	2016	% change
Revenue	\$ 82,664	\$ 60,420	37
EBITDAS ⁽¹⁾	6,786	4,609	47
EBITDAS as a % of revenue	8%	8%	
Operating loss	(4,074)	(8,304)	(51)
Operating earnings as a % of revenue	(5%)	(14%)	
Total loss	(3,885)	(7,215)	(46)
Total comprehensive loss	(3,892)	(7,214)	(46)
Earnings per share			
Basic	\$ (0.03)	\$ (0.05)	
Diluted	\$ (0.03)	\$ (0.05)	
Total assets	\$ 479,750	\$ 485,101	(1)
Total loans and borrowings	74,604	75,268	(1)
Funds from operations	8,705	4,183	108
Net Capital (proceeds) spending	1,645	7,655	(79)
Senior debt to EBITDAS ⁽²⁾	2.43:1.00	2.46:1.00	
Total debt to EBITDAS ⁽²⁾	2.48:1.00	2.46:1.00	
Debt to total capitalization ratio ⁽¹⁾	0.19:1.00	0.19:1.00	
Dividends declared	\$ 2,894	\$ 2,893	
Dividends declared per share	\$ 0.02	\$ 0.02	

(1) Please refer to page 27 of the Management's Discussion and Analysis for the definitions of Non-GAAP and additional GAAP measures and reconciliation of Net Earnings to EBITDAS.

(2) Please refer to page 17 of the Management's Discussion and Analysis for the definitions of Debt to EBITDAS.

Fourth Quarter Overview

Results for the three months ended December 31, 2017 ("Q4 2017") improved across all financial measures, compared to the three months ended December 31, 2016 ("Q4 2016"). The improvement was driven by higher activity levels across all operations in Industrial Services and increased project volumes in Modular Solutions.

Revenues from camp rental and catering operations for Q4 2017 increased by 22% compared to Q4 2016 as a result of significantly higher catering only activity and a camp equipment sale. Higher catering only activity was primarily a result of recent Aboriginal partnerships in the Fort McMurray, Alberta area which resulted in an additional catering only contract significantly increasing catering only volumes compared to Q4 2016. Large camp activity increased, compared to Q4 2016, driven by continued strong activity in the W5/W6 region south of Grande Prairie, Alberta and higher demand in the Fort McMurray, Alberta region as a result of plant maintenance programs underway by major oil sands producers. The higher activity levels resulted in RevPAAB and utilization of \$36 and 55% respectively, up from \$32 and 45% in Q4 2016.

Revenues from Rentals and Logistics segment for Q4 2017 were consistent with Q4 2016. Access mat utilization was 3% stronger as a result of higher activity levels but was offset by softer pricing which decreased 2% compared to Q4 2016. Relocatable structures rental utilization strengthened by 9% as a result of an increase in rental activity combined with a decrease in fleet size compared to Q4 2016.

Modular Solutions revenues for Q4 2017 were above Q4 2016 as a result of the increased number and scope of projects. The projects in Q4 2017 included several government sponsored affordable housing projects, a hotel project and several commercial condominium projects compared to a single government sponsored affordable housing project and one hotel project in Q4 2016.

Horizon North's EBITDAS in Q4 2017 increased compared to Q4 2016 mainly as a result of the higher activity levels and volumes discussed above. Operating loss and loss per share for Q4 2017 improved compared to Q4 2016 as a result of stronger EBITDAS and lower depreciation and amortization expense due to camp setup costs becoming fully depreciated and used camp equipment sales throughout the year.

Horizon North continued to maintain a strong focus on managing the Statement of Financial Position through minimizing working capital and a reduced capital program. Total loans and borrowings were \$74.6 million at December 31, 2017 compared to \$75.3 million at December 31, 2016. As a result of the decreased debt and stronger EBITDAS, the Debt to EBITDAS ratio was 2.48:1.00 compared to 2.46:1.00 at December 31, 2016.

Management's Discussion and Analysis
Three months and years ended December 31, 2017 and 2016



Fourth Quarter Financial Results

(000's)	Three months ended December 31, 2017					Total
	Industrial Services	Modular Solutions	Corporate	Eliminations		
Revenue	\$ 64,055	\$ 18,638	\$ -	\$ (29)		\$ 82,664
Expenses						
Direct costs	49,661	21,447	-	(29)		71,079
Selling & administrative expenses	992	648	3,159	-		4,799
EBITDAS	\$ 13,402	\$ (3,457)	\$ (3,159)	\$ -		\$ 6,786
EBITDAS as a % of revenue	21%	(19%)	-	-		8%
Share based compensation	81	37	243	-		361
Depreciation & amortization	9,815	525	105	-		10,445
Impairment loss	-	-	-	-		-
Loss on disposal of property, plant and equipment	54	-	-	-		54
Operating (loss) earnings	\$ 3,452	\$ (4,019)	\$ (3,507)	\$ -		\$ (4,074)
Finance costs						533
Earnings on equity Investments						(105)
Income tax recovery						(617)
Total profit (loss)						\$ (3,885)
Other comprehensive income (loss)						(7)
Total comprehensive income (loss)						(3,892)
Earnings (loss) per share – basic						\$ (0.03)
– diluted						\$ (0.03)

(000's)	Three months ended December 31, 2016					Total
	Industrial Services	Modular Solutions	Corporate	Eliminations		
Revenue	\$ 54,709	\$ 5,711	\$ -	\$ -		\$ 60,420
Expenses						
Direct costs	44,360	7,304	(120)	-		51,544
Selling & administrative expenses	900	649	2,718	-		4,267
EBITDAS	\$ 9,449	\$ (2,242)	\$ (2,598)	\$ -		\$ 4,609
EBITDAS as a % of revenue	17%	(39%)	-	-		8%
Share based compensation	219	87	541	-		847
Depreciation & amortization	12,568	516	220	(7)		13,297
Gain on disposal of property, plant and equipment	(1,217)	-	-	(14)		(1,231)
Operating earnings (loss)	\$ (2,121)	\$ (2,845)	\$ (3,359)	\$ 21		\$ (8,304)
Finance costs						672
Loss on equity Investments						78
Income tax recovery						(1,839)
Total profit (loss)						\$ (7,215)
Other comprehensive income (loss)						1
Total comprehensive income (loss)						(7,214)
Earnings (loss) per share – basic						\$ (0.05)
– diluted						\$ (0.05)

Industrial Services

Industrial Services is comprised of Horizon North's legacy operations including camp rental and catering operations, manufacturing sales, relocatable structures rentals, access mat rentals, other equipment rentals, used equipment sales, and the associated service and transportation within each operation.

(000's)	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% change	2017	2016	% change
Camps and Catering	\$ 51,765	\$ 42,518	22	\$ 224,430	\$ 204,331	10
Rentals & Logistics	12,290	12,191	1	52,979	38,317	38
Total Revenue	64,055	54,709	17	277,409	242,648	14
EBITDAS	\$ 13,402	\$ 9,449	42	\$ 57,437	\$ 44,589	29
EBITDAS as a % of revenue	21%	17%		21%	18%	
Operating earnings (loss)	\$ 3,452	\$ (2,121)	(263)	\$ 25,154	\$ (2,521)	(1,098)

Revenues from Industrial Services for Q4 2017 were \$64.1 million, an increase of \$9.3 million or 17% compared to Q4 2016. The increase was a result of stronger large camp utilization, additional catering only contract and a significant used camp equipment sale. EBITDAS in Q4 2017 were \$13.4 million, an increase of \$4.0 million or 42% in comparison to Q4 2016. As a percentage of revenue, EBITDAS increased in Q4 2017 primarily as a result of increased activity levels and a difference in contract mix.

Revenues from Industrial Services for 2017 were \$277.4 million, an increase of \$34.8 million or 14% compared to 2016. The increase was due to new catering only contracts in the second half of 2017, several significant used camp equipment sales and strong access mat sales. EBITDAS were \$57.4 million, an increase of \$12.8 million or 29% in comparison to 2016. As a percentage of revenue, EBITDAS increased for 2017 as a result of used camp equipment sales, business interruption insurance proceeds on the Blacksands Executive Lodge settlement in Q1 2017 and on-going cost controls.

Management's Discussion and Analysis
Three months and years ended December 31, 2017 and 2016



Camps & Catering Segment

Camps & Catering revenues are comprised of camp rental and catering operations, the associated service and transport revenue and equipment sales.

(000's except for operational metrics)	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% change	2017	2016	% change
Large Camp revenue	\$ 28,629	\$ 27,438	4	\$ 130,274	\$ 149,589	(13)
Drill Camp revenue	2,196	2,942	(25)	9,383	8,079	16
Catering only revenue	11,180	5,463	105	34,267	20,662	66
Service revenue	5,470	5,525	(1)	20,831	22,946	(9)
Equipment sales revenue	4,290	1,150	273	29,675	3,055	871
Total Revenue	51,765	42,518	22	224,430	204,331	10
EBITDAS	\$ 8,849	\$ 6,223	42	\$ 43,524	\$ 35,233	24
EBITDAS as a % of revenue	17%	15%		19%	17%	
Operating earnings	\$ 1,637	\$ (2,188)	(175)	\$ 21,282	\$ (828)	(2,670)
Large Camp						
Bed rental days ⁽¹⁾	432,736	388,517	11	1,675,516	1,734,880	(3)
Revenue per bed rental day	\$ 66	\$ 71	(7)	\$ 78	\$ 86	(9)
RevPAAB ⁽²⁾	\$ 36	\$ 32	13	\$ 39	\$ 46	(15)
Rentable beds at period end	8,530	9,339	(9)	8,530	9,339	(9)
Average rentable beds ⁽³⁾	8,526	9,334	(9)	9,082	8,957	1
Utilization ⁽⁴⁾	55%	45%	22	51%	53%	(4)
Drill Camp						
Bed rental days ⁽¹⁾	18,104	24,520	(26)	75,888	65,116	17
Revenue per bed rental day	\$ 121	\$ 120	1	\$ 124	\$ 124	-
RevPAAB ⁽²⁾	\$ 29	\$ 35	(17)	\$ 31	\$ 24	29
Rentable beds at period end	821	910	(10)	821	910	(10)
Average rentable beds ⁽³⁾	821	916	(10)	841	902	(7)
Utilization ⁽⁴⁾	24%	29%	(17)	25%	20%	25
Catering Only						
Catering only days ⁽⁵⁾	116,226	41,825	178	343,421	165,361	108
Revenue per catering only day	\$ 96	\$ 131	(27)	\$ 100	\$ 125	(20)

(1) One bed rental day represents the provision of one bed for one day under a combined rental and catering manday rate, or the provision of one bed for one day under an equipment rental rate for dedicated camp equipment.

(2) RevPAAB equals revenue per average available rentable bed calculated as applicable camp revenue divided by average rentable beds available in the period.

(3) Average rentable beds is equal to total average beds in the fleet over the period less beds required for staff.

(4) Utilization equals the total number of bed rental days divided by average rentable beds in the period.

(5) One catering only day equals the provision of catering and housekeeping services with no related bed rental for one day.

Revenues from the Camps & Catering segment for Q4 2017 were \$51.8 million, an increase of \$9.2 million or 22% compared to Q4 2016. EBITDAS for the three months ended December 31, 2017 were \$8.8 million, an increase of \$2.6 million or 42% compared to Q4 2016. The increase in Q4 2017 segment revenues, compared to Q4 2016, was a result of higher volumes for large camps and significantly stronger catering only volumes. Several oil sands producers began their plant maintenance programs in Q4 2017 driving higher utilization of large camps in the Fort McMurray, Alberta area. Recently signed Aboriginal partnerships in the Fort McMurray, Alberta area resulted in a significant catering only contract. The increase in Q4 2017 segment EBITDAS and EBITDAS as a percentage of revenue, compared to Q4 2016, was a result of the higher activity levels. Although higher than Q4 2016, EBITDAS as a percentage of revenue continued to reflect the aggressive pricing in both large camp and catering only operations that is required in the current economic environment.

Revenues from the Camps & Catering segment for 2017 were \$224.4 million, an increase of \$20.1 million or 10% compared to 2016 with EBITDAS increasing 24% year over year. The higher revenue and EBITDAS for 2017, compared to 2016, was a result of additional catering only contracts and several significant camp equipment sales in Q2 2017 and Q4 2017. These revenue increases were partially offset by lower activity levels in large camp operations compared to 2016. 2016 reflected a full year of operations for several significant contracts which expired or ramped down during 2017 as the associated projects were completed. The higher EBITDAS for 2017, compared to 2016, was driven by the higher volumes in catering only, business interruption insurance

proceeds and used camp equipment sales which were partially offset by the lower large camp activity. EBITDAS as a percentage of revenue increased year over year as a result of business interruption insurance proceeds, used camp equipment sales and the focus on cost controls.

Large Camp

Revenues from Large Camp operations for Q4 2017 increased by \$1.2 million, or 4% compared to Q4 2016. The increase was primarily driven by higher demand in the Fort McMurray, Alberta region as a result of oil sands plant maintenance programs underway. Partially offsetting the increased activity was lower pricing compared to Q4 2016, reflective of contracts in place in Q4 2016 with stronger pricing which expired throughout 2017.

The increased demand for Large Camp services resulted in RevPAAB and utilization of \$36 and 55% respectively, compared to \$32 and 45% in Q4 2016. The increased RevPAAB was primarily result of the used camp equipment sale in Q4 2017 which decreased average available beds by 9%.

Revenues from Large Camp operations for 2017 decreased by \$19.3 million or 13% compared to 2016. The decrease was mainly attributable to several large contracts with more favorable rates which expired or ramped down throughout 2017. As a result of the lower activity levels in 2017 compared to 2016, RevPAAB and utilization were \$39 and 51% respectively, compared to \$46 and 53% in Q4 2016.

Drill Camp

Revenues from Drill Camp operations for Q4 2017 decreased by \$0.7 million or 25% compared to Q4 2016. Although the Canadian Association of Oil Drilling Contractors (CAODC) reported Q4 2017 rig utilization of 32% compared to 26% in Q4 2016, Horizon North did not see higher rig camp utilization. Drilling activity tended to be located closer to large camps or towns thereby reducing the requirement for rig camps. The activity levels drove drill camp RevPAAB and utilization of \$29 and 24% respectively compared to \$35 and 29% in Q4 2016.

Revenues from Drill Camp operations for 2017 increased by \$1.3 million or 16% compared to 2016 mainly due to higher rig utilization. The Canadian Association of Oil Drilling Contractors (CAODC) reported year to date rig utilization of 30%, up from 18% in the same period of 2016. Drill Camp activity levels typically follow industry activity levels and are reflective of the increase in rig utilization year over year. However, large pad drilling and activity in the Grande Prairie, Alberta region tend to use large camps or local towns thereby reducing the requirement for drill camps.

Catering only

Revenues from the provision of catering and housekeeping services, with no associated bed rentals, for Q4 2017 increased by \$5.7 million or 105% compared to same period of 2016. The increase was mainly due to additional catering contracts in the second half of 2017. Revenue per catering only day decreased by 27% primarily due to the different contract mix between the comparative quarters.

Revenues from the provision of catering and housekeeping services, with no associated bed rentals, for 2017 increased by \$13.6 million or 66% compared to 2016. The majority of the increased revenue, compared to 2016, was associated with a contract added in the second half of 2017. Revenue per catering only day decreased as a result of the different contract mix between the comparative periods.

Service

Service revenues are related to the transportation, set-up and de-mobilization of camps for customers. Revenues for Q4 2017 were consistent between the comparative quarters as a result of similar volumes of projects in the comparative quarters.

Revenues for 2017 decreased by \$2.1 million or 9% compared to 2016. The decrease was mainly related to the lower tear out and demobilization activity in the first half of 2017 mainly due to fewer seasonal camps compared to 2016.

Equipment sales

Equipment sales revenues include new, in-plant camp construction and used fleet sales. Revenues for Q4 2017 increased by \$3.1 million or 273% compared to Q4 2016 as a result of a significant opportunity to sell used camp equipment. Used equipment sales are key part of the fleet management strategy to reduce underutilized assets.

Revenues for 2017 increased by \$26.6 million compared to 2016 as a result of two significant camp equipment sales, one in Q2 and the second in Q4 2017.

Management's Discussion and Analysis
Three months and years ended December 31, 2017 and 2016



Rentals & Logistics Segment

Rentals & Logistics revenues are comprised of relocatable structures rentals, access mat rentals, other equipment rentals, used equipment sales and installation, transportation associated with the rentals and sales. Relocatable structures is comprised of office units, lavatory units, mine dry units, wellsite units and the associated equipment. Other equipment rentals include light towers, garbage bins and other miscellaneous equipment.

(000's except for operational metrics)	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% change	2017	2016	% change
Relocatable structures revenue ⁽¹⁾	\$ 888	\$ 1,032	(14)	\$ 3,954	\$ 5,167	(23)
Access mat rentals revenue ⁽²⁾	1,614	1,547	4	7,878	5,555	42
Other equipment rentals revenue ⁽³⁾	229	87	163	590	478	23
Installation, transportation, service, and other revenue	6,301	5,459	15	28,796	21,072	37
Equipment sales revenue	3,258	4,066	(20)	11,761	6,045	95
Total revenue	\$ 12,290	\$ 12,191	1	\$ 52,979	\$ 38,317	38
EBITDAS	\$ 4,553	\$ 3,226	41	\$ 13,913	\$ 9,356	49
EBITDAS as a % of revenue	37%	26%		26%	24%	
Operating earnings (loss)	1,815	67	2,609	3,872	(1,693)	(329)
Relocatable Structures						
Average fleet size	1,108	1,210	(8)	1,174	1,226	(4)
Fleet end of period	1,102	1,207	(9)	1,102	1,207	(9)
Rental days ⁽⁴⁾	38,069	37,310	2	169,029	172,190	(2)
Utilization ⁽⁵⁾	37%	34%	9	39%	38%	3
Access mats						
Average fleet size owned ⁽⁶⁾	30,155	29,626	2	29,783	28,503	4
Fleet end of period owned ⁽⁷⁾	29,731	29,834	-	29,731	29,834	-
Rental days owned ⁽⁸⁾	1,888,513	1,790,885	5	8,263,284	5,153,593	60
Rental days third party ⁽⁹⁾	38,159	121	31,436	373,315	24,758	1,408
Total Rental Days	1,926,672	1,791,006	8	8,636,599	5,178,351	67
Utilization owned ⁽¹⁰⁾	68%	66%	3	76%	49%	55
Revenue per mat rental day ⁽¹¹⁾	\$ 0.84	\$ 0.86	(2)	\$ 0.91	\$ 1.07	(15)
Equipment Sales ⁽¹²⁾						
Relocatable structures	26	16	63	50	70	(29)
Mats	3,734	9,686	(61)	16,060	12,751	26

(1) Relocatable structures revenue includes rental revenue generated from office, lavatory and mine dry units and complexes as well the associated equipment.

(2) Access mat rental revenue includes revenues generated from the rental of traditional oak and oak edged mats.

(3) Other equipment rental revenue includes the rental of rig mats, quad mats and other ancillary equipment such as light towers and garbage bins.

(4) One rental day equals the rental of one unit for one day.

(5) Utilization equals the total number of unit rental days divided by average rentable units in the period.

(6) Average access mat rental fleet numbers reflect only owned access mats.

(7) Access mats in rental fleet at period end represents the number of owned access mats in the Matting fleet.

(8) One mat rental day equals the rental of one owned access mat for one day.

(9) One mat rental day equals the rental of one third party sub rented access mat for one day.

(10) Utilization equals the total number of mat rental days owned divided by average rentable mats owned in the period.

(11) Revenue per mat rental day equals access mat rentals revenue divided by total access mats rental days.

(12) Represents the number of units sold in the period.

Revenues from Rentals & Logistics for Q4 2017 were consistent with Q4 2016 at \$12.3 million. EBITDAS for Q4 2017 were \$4.6 million or 37% of revenue, an increase of \$1.3 million or 41% compared to Q4 2016.

Revenues from Rentals & Logistics for 2017 were \$53.0 million, an increase of \$14.7 million or 38% compared to 2016. EBITDAS for 2017 were \$13.9 million, an increase of \$4.6 million or 49% compared to 2016. The increase in revenues were primarily driven by higher activity levels across most operations. The increase in EBITDAS and EBITDAS as a percentage of revenue was a result of the higher activity levels and the mix of contracts between the comparative periods.

Relocatable structures revenue

Relocatable structures revenues include the rental of relocatable structures such as office units, lavatory units, mine dry units and other associated equipment.

Relocatable structures revenues for Q4 2017 decreased by \$0.1 million or 14% compared to Q4 2016. The decrease in revenue was mainly a result of the equipment mix on rent compared to Q4 2016. Fleet utilization increased to 37% from 34% in Q4 2016 mainly due to the sale of used equipment between the comparative periods.

Revenues for 2017 were \$4.0 million, a decrease of \$1.2 million or 23% compared to 2016. The decrease was primarily due to lower pricing as a result of the mix of equipment on rent year over year and downward pricing pressure. 2016 had a higher number of multi-unit complexes on rent compared to 2017. Utilization improved slightly in 2017 to 39% compared to 38% in 2016 as a result of the smaller average fleet size in 2017.

Access mat rentals revenue

Access mat rental revenue for Q4 2017 was consistent in the comparative periods with higher activity levels being offset by softer pricing. Rental volumes increased by 8% with 68% utilization of owned mats compared to 66% in Q4 2016 which was offset by a lower revenue per mat rental day which decreased by 2% compared to Q4 2016. The softer rates are primarily reflective of aggressive pricing agreements signed in the second half of 2016 to secure work.

Revenues for 2017 were \$7.9 million, an increase of \$2.3 million or 42% compared to 2016. The increase was due to stronger demand for matting, particularly in the Grande Prairie, Alberta area, as a result of wet ground conditions and increased drilling programs which drove a 60% increase in owned mat rental days compared to 2016. The higher activity resulted in utilization of 76% compared to 49% in 2016 which was partially offset by weaker revenue per mat rental day. Revenue per mat rental day declined during the year to \$0.91, compared to \$1.07 in 2016 as a result of the aggressive pricing agreements discussed above. One pricing agreement remains in place and will expire in 2019.

Installation, transportation, service, and other revenue

Revenues for Q4 2017 increased by \$0.8 million or 15% compared to Q4 2016. The increase in revenue was driven by the timing of mat installation and demobilization and a soil stabilization project early in Q4 2017.

Revenues for 2017 increased by \$7.7 million or 37% compared to 2016. The increase in revenue was driven by the higher access mat sales and rental activity and increased demand for non-rental related services such as soil stabilization.

Equipment Sales

Equipment sales are the sale of new and used Rentals & Logistics fleet, which is comprised of new and used mats, space rental assets and other equipment such as garbage bins and light towers.

Revenues for Q4 2017 decreased by \$0.8 million compared to the same period in 2016. The decrease in revenue was driven by lower mat sales with 3,734 mats sold compared to 9,686 in Q4 2016.

Revenues for 2017 increased by \$5.7 million compared to 2016. The increase in revenue was primarily driven by higher mat sales with 16,060 mats sold in 2017 compared to 12,751 in 2016.

Direct costs

Direct costs in the Industrial Services business unit for Q4 2017 were \$49.7 million or 78% of revenue compared to \$44.4 million or 81% of revenue for Q4 2016. Direct costs are driven by both the level and mix of business activity consisting primarily of labour, raw material, trucking, rent and utility costs. The increase of direct costs in Q4 2017, compared to Q4 2016, was mainly related to the increase in business activity. As a percentage of revenue, direct costs decreased primarily as a result of a focus on cost controls and the variation in sales mix between the comparative quarters.

Direct costs in the Industrial Services business unit for 2017 were \$213.5 million or 77% of revenue compared to \$193.0 million or 80% of revenue for the same period of 2016. The increase in direct costs for 2017 reflects the higher business activity discussed in the sections above. Direct costs as a percentage of revenue decreased in 2017, compared to 2016 mainly attributable to the focus on cost controls and the variation in sales mix between the comparative quarters.

Modular Solutions

Modular Solutions consists of production, transportation and installation of residential, retail and commercial modular buildings. The table below outlines the key performance metrics used by management to measure performance in the Modular Solutions operations:

(000's)	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% change	2017	2016	% change
Modular Solutions revenue	\$ 18,638	\$ 5,711	226	\$ 46,755	\$ 8,287	464
EBITDAS	\$ (3,457)	\$ (2,242)	54	\$ (14,626)	\$ (4,411)	232
EBITDAS as a % of revenue	(19%)	(39%)	(53)	(31%)	(53%)	(41)
Operating earnings (loss)	\$ (4,019)	\$ (2,845)	41	\$ (16,779)	\$ (6,446)	160
Backlog ⁽¹⁾	\$ 43,878	\$ 10,673	311	\$ 43,878	\$ 10,673	311

(1) Backlog is the total value of work that has not yet been completed that: (a) has a high certainty of being performed based on the existence of an executed contract or work order specifying job scope, value and timing; or (b) has been awarded to Horizon North, as evidenced by an executed letter of award or agreement, describing the general job scope, value and timing of such work, and where the finalization of a formal contract in respect of such work is reasonably assured and expects to be recognized in the next 12 months.

Modular Solutions revenues for Q4 2017 were \$18.6 million compared to \$5.7 million in Q4 2016. The increase was attributable to the volume of projects between the comparative periods with Q4 2017 having significantly more projects. Projects in Q4 2017 were comprised mainly of commercial projects, including a condominium complex in Revelstoke, British Columbia, a hotel project and several affordable housing projects for Vancouver Affordable Housing Agency and BC Housing Management Commission.

Revenues for 2017 were \$46.8 million and consisted primarily of the production and installation of several commercial projects including an 85 room hotel and condominium development both in Revelstoke, British Columbia, multifamily housing complexes, several affordable housing projects and residential housing projects.

The primary metric for Modular Solutions is the backlog of projects and timing of backlog execution. Currently, the focus for this business unit is to secure and increase backlog, which was \$43.9 million at the end of December 2017 compared to \$30.2 million at September 2017. With consistent backlog, revenues and plant efficiencies are expected to improve and generate more stable and predictable results.

Direct costs

On January 1, 2017, Horizon North established two business units, Industrial Services and Modular Solutions, and aligned the associated segments under each business unit. With the segment realignment, direct costs related to product design, engineering, procurement and project management were transitioned from the Industrial Services operations, where they were included as part of the new camp sales product line, and aligned under the Modular Solutions operations.

Direct costs are comprised of labour, raw materials and transportation which vary directly with revenues and a relatively fixed component which includes rent, utilities and the design and technical services required in the bidding cycle and post award production and installation of the product. Direct costs were 115% of revenues in Q4 2017 compared to 128% in Q4 2016, the improvement was mainly driven by economies of scale from higher Q4 2017 activity levels absorbing the relatively fixed component of the direct cost.

Direct costs for 2017 were 127% of revenues compared to 139% in 2016. The decrease was related to the same factors discussed above.

Selling & Administrative Expense

Selling & administrative expenses are comprised of sales and marketing costs associated with each segment, along with corporate costs which reflect head office costs and include the President and Chief Executive Officer, Senior Vice President Finance and Chief Financial Officer, Executive Vice President Quality & Health Safety and Environment ("HSE"), Vice President Aboriginal & Community Relations, Vice President Human Resources, Vice President Legal & General Counsel, Corporate Secretary, information technology, corporate accounting staff and associated costs of supporting a public company.

Selling and administrative expenses for Q4 2017 were \$4.8 million, an increase of \$0.5 million or 12% compared to Q4 2016. The increase was mainly due to certain bad debt expenses in Q4 2017. As a percentage of revenue, selling and administrative expenses were 6% compared to 7% in the comparative quarter of 2016.

For 2017, costs were \$21.4 million, an increase of \$3.3 million or 18% compared to 2016. The increase included \$2.0 million in certain bad debt expenses, \$0.6 million in sales costs related to Modular Solutions and the significant backlog growth with the remainder related information technology projects. As a percentage of revenue, selling and administrative expenses were consistent at 7%.

Other Items

Depreciation and amortization

(000's)	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	% change	2017	2016	% change
Depreciation of property, plant and equipment	\$ 9,763	\$ 12,410	(21)	\$ 40,701	\$ 48,848	(17)
Amortization of Intangibles	682	887	(23)	2,742	992	176
Total depreciation and amortization	\$ 10,445	\$ 13,297	(21)	\$ 43,443	\$ 49,840	(13)

Depreciation of property, plant and equipment decreased by \$2.6 million in Q4 2017 as compared to Q4 2016. For 2017, depreciation decreased by \$8.1 million compared to 2016. The decrease was mainly a result of camp set up costs being fully depreciated and the disposal of assets throughout the year, primarily the sale of the 450 person camp in Q2 2017.

The amortization of intangibles is related to the acquisition of Karoleena Inc. in June 2016 and Empire Camp Equipment Ltd. in August 2016.

Financing costs

Financing costs include interest on loans and borrowings. For Q4 2017, financing costs were \$0.5 million compared to \$0.7 million in Q4 2016. For 2017, financing costs were \$2.8 million compared to \$2.4 million for 2016. The increase in financing costs was mainly a result of higher average debt levels which averaged \$70.1 million for the twelve months of 2017 compared to \$68.7 million in the same period of 2016.

The effective annualized interest rate on loans and borrowings for 2017 was 4.3% compared to 3.5% in 2016. The higher effective interest rate was driven by the tiered interest rate structure of the credit facility.

Income taxes

For the year ended December 31, 2017, income tax recovery was \$0.9 million, an effective tax rate of 10.5%. For the year ended December 31, 2016, income tax recovery was \$4.2 million, 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.

Gain/Loss on disposal

For Q4 2017, Horizon North recognized losses of \$0.1 million compared to gains of \$1.2 million in Q4 2016. The gains and losses on disposals are typically generated from normal management of operational assets.

For 2017, Horizon North recognized gains of \$12.1 million compared to gains of \$0.6 million for 2016. The gains on disposals are typically generated from normal management of operational assets. The 2017 gains on disposal included the Q1 2017 insurance settlement in excess of book value from the Blacksand Executive Lodge assets destroyed in the Fort McMurray, Alberta wildfires in 2016.

Management's Discussion and Analysis
Three months and years ended December 31, 2017 and 2016



Liquidity and Capital Resources

Liquidity is principally monitored through cash and cash equivalents and available borrowing capacity under the Corporation's committed credit facility. The outstanding balance under the credit facility fluctuates as it is drawn to finance working capital requirements, capital expenditures, acquisitions and dividends or repaid with funds from operations, disposals and financing activities.

	December 31, 2017	December 31, 2016
Summary of cash flows (000's)		
Operating activities	\$ 14,726	\$ 32,280
Investing activities	(2,553)	(35,159)
Financing activities	(12,173)	2,879
Change in cash position	\$ -	\$ -

For 2017, operating activities generated \$14.7 million of cash, compared to generating \$32.3 million of cash in 2016. The variance was driven by an increase in accounts receivable at the end of 2017 and the strength of operating results in early 2016. Cash from investing activities was provided by net proceeds on disposal of capital assets, including the insurance settlement in Q1 2017. Cash used in financing activities included dividend payments of \$11.6 million and \$2.3 million in credit facility repayment.

	December 31, 2017	December 31, 2016
Working capital position (000's)		
Current assets	\$ 114,694	\$ 72,723
Current liabilities excluding loans and borrowings ⁽¹⁾	44,944	31,977
Working capital ⁽²⁾	\$ 69,750	\$ 40,746

(1) Calculated as the sum of trade and other payables, deferred revenue and income taxes payable.

(2) Calculated as current assets less current liabilities, excluding loans and borrowings.

Working capital at December 31, 2017 was \$69.8 million compared to \$40.7 million at December 31, 2016, an increase of \$29.1 million. The increase in working capital was primarily due to the an increase in receivables corresponding with the increase in revenue recorded in the quarter, as well as the longer term receivables generated by Modular Solutions contracts.

	December 31, 2017	December 31, 2016
Borrowing capacity (000's)		
Bank borrowing:		
Available credit facility	\$ 150,000	\$ 200,000
Drawings on credit facility	73,016	75,268
Borrowing capacity ⁽³⁾	\$ 76,984	\$ 124,732

(3) Calculated as available bank lines less drawings on credit facility.

Effective May 3, 2017, Horizon North reached agreement with its lenders to amend the credit facility. The maturity date was extended one year to March 31, 2019 to provide certainty with respect to borrowing capacity as the Corporation evaluates its capitalization and debt structure through 2017. Management initiated a reduction of total borrowing capacity from \$200.0 million to \$150.0 million to save standby fees.

The credit facility has an available limit of \$150.0 million and is secured by a \$400.0 million first fixed and floating charge debenture over all assets of the Corporation and its wholly-owned subsidiaries. The interest rate is calculated on a grid pricing structure based on the Corporation's debt to EBITDAS ratio. Debt to EBITDAS is calculated as at the quarter end for the most recently completed calendar quarter and for the 12 months ended on such date. Amounts drawn on the credit facility incur interest at bank prime rate plus 0.50% to 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%.

Management's Discussion and Analysis

Three months and years ended December 31, 2017 and 2016



The Maximum Senior Debt to Consolidated EBITDAS ratio covenants were amended as follows:

- 4.25:1.00 for quarter ending December 31, 2017
- 3.50:1.00 for quarter ending March 31, 2018
- 3.25:1.00 for quarter ending June 30, 2018
- 3.00:1.00 for quarters ending September 30, 2018 and thereafter

As at December 31, 2017, the Corporation was in compliance with all financial and non-financial covenants as shown below:

Debt Covenants	Covenants December 31, 2017
Maximum Consolidated Senior debt ⁽¹⁾ to Consolidated EBITDAS ratio ^{(3)/(4)} (must be 4.25:1.00 or less)	2.43:1.00
Maximum Consolidated Total debt ⁽²⁾ to Consolidated EBITDAS ratio ^{(3)/(5)} (must be 4.25:1.00 or less)	2.48:1.00
Minimum Consolidated Interest coverage ratio ⁽⁶⁾ (must be 3.00:1.00 or more)	9.71:1.00

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

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

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

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

(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.

Capital Spending

For the three months ended December 31, 2017, gross capital spending was \$4.9 million compared to \$12.4 million in the same period of 2016. Capital spending in Q4 2017 was mainly focused on maintenance capital, augmenting the access mat fleet as a result of higher utilization during Q4 2017, and the set-up capital related to the mobilization and commissioning of a camp facility.

Management evaluates and manages its capital spending plans taking into account proceeds from the sale of property, plant and equipment, resulting in net proceeds from disposals of \$1.6 million for 2017 compared to \$7.7 million of net capital spending for 2016.

For the twelve months ended December 31, 2017, gross capital spending was \$20.1 million compared to \$30.3 million in 2016 as a result of a focused and disciplined 2017 capital program. Capital spending during the year was mainly focused on maintenance capital, service equipment and fulfilling land improvement commitments related to the Kitimat, British Columbia property in preparation for future development.

Management evaluates and manages its capital spending plans taking into account proceeds from the sale of property, plant and equipment, resulting in net proceeds from disposals for 2017 of \$23.8 million compared to \$18.7 million in net capital spending for 2016. The net proceeds in 2017 mainly related to the insurance claim for the loss of the Blacksand Executive Lodge, and the proceeds for the sale of 450 person camp facility received in Q2 2017.

Horizon North does not currently have any material capital commitments associated with contracts to supply equipment or to purchase property, plant and equipment. Capital spending was funded primarily from cash from operations and the credit facility.

Quarterly Summary of Results

	Three months ended				Year to date
	March	June	September	December	December
(000's except per share amounts)	2017	2017	2017	2017	2017
Revenue	\$ 70,488	\$ 91,647	\$ 79,283	\$ 82,664	\$ 324,082
EBITDAS	8,254	8,571	6,434	6,786	30,045
Operating earnings (loss)	8,153	(2,500)	(7,514)	(4,074)	(5,935)
Total profit (loss)	5,140	(2,949)	(6,149)	(3,885)	(7,843)
Total comprehensive income (loss)	5,140	(2,950)	(6,144)	(3,892)	(7,846)
Earnings per share – basic	\$ 0.04	\$ (0.02)	\$ (0.04)	\$ (0.03)	\$ (0.05)
Earnings per share – diluted	\$ 0.04	\$ (0.02)	\$ (0.04)	\$ (0.03)	\$ (0.05)

	Three months ended				Year ended
	March	June	September	December	December
(000's except per share amounts)	2016	2016	2016	2016	2016
Revenue	\$ 77,909	\$ 52,509	\$ 60,097	\$ 60,420	\$ 250,935
EBITDAS	13,236	3,690	7,126	4,609	28,661
Operating earnings (loss)	179	(9,358)	(4,721)	(8,304)	(22,204)
Total loss	(256)	(7,982)	(4,863)	(7,215)	(20,316)
Total comprehensive loss	(325)	(7,984)	(4,860)	(7,214)	(20,383)
Loss per share – basic	\$ -	\$ (0.06)	\$ (0.04)	\$ (0.05)	\$ (0.15)
Loss per share – diluted	\$ -	\$ (0.06)	\$ (0.04)	\$ (0.05)	\$ (0.15)

Historically, Horizon North has been primarily a provider of products and services to the resource sector with its performance associated with the fluctuations in commodity pricing and activity levels in that sector. The previous eight quarters have been significantly impacted by reduced demand and downward pricing pressure. The allocation of manufacturing resources between external projects and internal fleet requirements along with the time and costs required to deploy camp and catering fleet assets significantly affect the timing of revenues between the quarters and impact performance. Although there is some seasonality with the first quarter generally stronger, this effect can be muted or compounded by the other factors. Trending in the Industrial Services segment was impacted by the Fort McMurray, Alberta wildfires in May 2016 and the loss of the Blacksand Executive Lodge, the acquisition of Empire Camp Services Ltd in Q3 2016, as well as a sale of a 450 bed camp facility in Q2 2017.

Horizon North has transitioned away from traditional camp manufacturing by focusing the manufacturing infrastructure on permanent modular construction. This diversification strategy is intended to decrease the dependence on the resource sector and provide a smoother and more reliable business operation. The strategic initiative of business transformation was a high priority in 2016, including the acquisition of Karoleena Inc. in Q2 2016, continuing and building in 2017.

Risks and Uncertainties

Volatility of Oil, Natural Gas and Mining Industry Conditions

The demand, pricing and terms for Horizon North's products and services depend upon the level of industry activity for oil, natural gas and mineral exploration and development in the western Canadian provinces and territories. Industry conditions are influenced by numerous factors over which Horizon North has no control, including: oil, natural gas and mineral prices; expectations about future oil, natural gas and mineral prices; the cost of exploring for, producing and delivering oil, natural gas and minerals; the expected rates of declining current production; the discovery rates of new oil, natural gas and mineral reserves; available pipeline and other oil, natural gas transportation capacity; demand for oil, natural gas and minerals; weather conditions; global political, military, regulatory and economic conditions; and the ability of oil, natural gas and mining companies to raise equity capital or debt financing for exploration and development work.

Current global economic events and uncertainty have the potential to significantly impact commodity pricing, changing the economic feasibility of industry development projects. No assurance can be given that expected trends in oil, natural gas and mineral production activities will continue or that demand for services provided by Horizon North will reflect the level of activity in the industry. Any prolonged substantial reduction in oil, natural gas, and mineral prices would likely affect activity levels in these industries and therefore affect the demand for the services provided by Horizon North.

Competition

Horizon North provides products and services to oil, natural gas and mineral exploration and production companies in the western Canadian provinces and northern territories. The service businesses in which Horizon North operates are highly competitive. To be successful, Horizon North has to provide services that meet the specific needs of its clients at competitive prices. The principal competitive factors in the markets in which Horizon North operates are service, quality, availability, reliability and performance of equipment used to perform its services, technical knowledge and experience, safety records and ongoing safety programs and price. Horizon North competes with several competitors, which offer similar services in geographic areas in which Horizon North operates. As a result of competition, Horizon North's business, financial condition and results of operations could be adversely affected.

Reduced levels of activity in the oil and natural gas and mining industries can intensify competition and result in lower revenue to Horizon North. Variations in the exploration and development budgets of oil and natural gas and mining companies, which are directly affected by fluctuations in energy prices and mineral prices, the cyclical nature and competitiveness of the oil and natural gas and mining industries and governmental regulation, will have an effect upon Horizon North's ability to generate revenue and earnings.

Horizon North's pursuit of opportunities in permanent modular construction is in competition with other modular builders as well as traditional site built providers. To be successful, Horizon North must demonstrate the value proposition of modular construction and successfully execute projects.

Credit Risk

A substantial portion of Horizon North's trade and other accounts receivable are with customers involved in the oil, natural gas and mining industries, whose revenues may be impacted by fluctuations in commodity prices. Collection of these receivables could be influenced by economic factors affecting the oil and natural gas and mining industries.

Many of the Corporation's customers require reasonable access to credit facilities and debt capital markets to finance their projects. If the availability of credit to the Corporation's customers is reduced, they may reduce their expenditures, thereby decreasing demand for the Corporation's products and services. A reduction in spending by the Corporation's customers could adversely affect its operating results and financial condition. During the term of a contract, Horizon North may be required to use its working capital to fund project costs until payments are collected from the customer. A greater incidence of payment default by clients could result in a financial loss to the Corporation that could have a material adverse effect on its operating results and financial position.

Additional Funding Requirements

Horizon North's cash flow may not be sufficient to fund its ongoing activities at all times. From time to time, Horizon North may require additional financing. Failure to obtain such financing on a timely basis could cause Horizon North to miss certain acquisition opportunities or prevent further growth of its operations. If Horizon North's revenues decrease, it will affect Horizon North's ability to expend the necessary capital to maintain its operations. If Horizon North's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or terms acceptable to Horizon North.

Labour Relations

The largest component of Horizon North's overall expenses is salaries, wages, benefits and payments to employees, agents and contractors. Any significant increase in these expenses could impact the financial results of Horizon North. In addition, Horizon North will be at risk if there are any labour disruptions. Horizon North believes that it has and will continue to foster a positive relationship with employees, agents and contractors.

Agreements and Contracts

The business operations of Horizon North depend on successful execution of contracts. The key factors which will determine whether a client will continue to use Horizon North will be service quality, availability, reliability and performance of equipment used to perform its services, technical knowledge, experience, safety record, ongoing safety programs and competitive pricing. There can be no assurance that Horizon North's relationship with its customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, could have a material adverse effect on Horizon North's business, financial condition and results of operations.

Significant Customers

The Corporation had one major customer who generated 10% of total revenues in the twelve months of 2017 compared to one major customer who generated 11% in the twelve months of 2016. There can be no assurance that Horizon North's relationship with its customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, could have a material adverse effect on Horizon North's business, financial condition and results of operations.

Reliance on Key Personnel

Horizon North's success depends in large measure on certain key personnel. The loss of services of such key personnel could have a material adverse effect on Horizon North. Horizon North does not have key person insurance in effect for management. The contributions of these individuals to the immediate operations of Horizon North are likely to be of central importance. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of Horizon North.

Permits

In most cases, permits issued by government agencies are required to build residential and commercial properties and to set up and operate remote work camp facilities. The issuance of permits is dependent upon water and waste treatment alternatives available, road traffic volumes and fire conditions in forested areas. Failure to receive or renew permits could have a negative impact on the business of the Camps & Catering segment and Modular Solutions.

Government Regulation

The operations of Horizon North are subject to a variety of federal, provincial and local laws of Canada, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment, the operation of equipment used in its operations and the transportation of materials and equipment it provides for its customers. Horizon North invests financial and managerial resources to ensure such compliance. Although such expenditures are generally not material to service providers, such laws or regulations are subject to change. Accordingly, it is impossible for Horizon North to predict the cost or impact of such laws and regulations on its future operations.

Environmental Regulation

The Government of Canada and provincial governments in areas where Horizon North does business have been working through various forms of regulation and legislation focused on climate change and greenhouse gas emissions. Future federal legislation, together with provincial emission reduction requirements may require the reduction of emissions or emissions intensity from Horizon North's operations and facilities and those of its customers. A number of Horizon North's customers are involved in the oil and natural gas exploration and development industry, with specific focus on oil sands related projects. Focus and scrutiny has recently intensified on oil sands development, which could lead to incremental environmental regulation or legislation.

Potential changes in requirements may result in increased operating costs and capital expenditures for oil and natural gas and mining industry participants, thereby delaying or decreasing the demand for Horizon North's services.

Management is unable to predict the impact of potential emissions targets and it is possible that changes could adversely affect Horizon North's business, financial condition and results of operations. These regulations would likely result in higher operating costs for our customers in the region, putting further pressure on project economics, and may also impair Horizon North's ability to provide its services economically.

Merger and Acquisition Activity

Horizon North considers acquisitions of complementary businesses and assets a part of the Corporation's business strategy. Achieving the benefits of acquisitions depends in part on: the acquired assets performing as expected, successfully realizing synergies, retaining key employees and customer relationships and integrating operations in a timely and efficient manner. Such integration may require substantial management effort, time, resources and may divert management's focus. Any acquisition could have a material adverse effect on operating results, financial condition and the price of the Corporation's securities.

Aboriginal & Community Relations

A component of Horizon North's business strategy is based on developing and maintaining positive relationships with the Aboriginal people and communities in the areas where Horizon North operates. These relationships are important to Horizon North's operations and customers who desire to work on traditional Aboriginal lands. The inability to develop and maintain relationships and to be in compliance with local requirements could adversely affect Horizon North's business strategy, growth and profitability.

Seasonal Operations

Each of Horizon North's businesses are affected by the seasonality associated with western Canadian oil and natural gas drilling industry. The Camps & Catering segment is exposed to seasonality where the busiest months are January through March and the slowest months are April through September. The Rentals & Logistics segment is typically busiest in the spring and summer months of April through September when soft ground conditions hinder the movement of heavy equipment. The Modular Solutions segment is not impacted by seasonality.

Business Continuity, Disaster Recovery and Crisis Management

In the event of a serious incident, the inability to restore or replace critical capacity in a timely manner may impact Horizon North's business and operations. A serious incident could therefore have a material adverse effect on Horizon North's business, financial condition and results of operations. In the event of a major disaster, Horizon North has in place business continuity arrangements, including disaster recovery plans and insurance coverage to minimize any losses.

Cyber Security

Horizon North manages cyber security risk by ensuring appropriate technologies, processes and practices are effectively designed and implemented to help prevent, detect and respond to threats as they emerge and evolve. The primary risks to Horizon North include, loss of data, destruction or corruption of data, compromising of confidential customer or employee information, leaked information, disruption of business, theft or extortion of funds, regulatory infractions, loss of competitive advantage and reputational damage. Horizon North applies technical and process controls in line with industry-accepted standards to protect its information assets and systems. Data backup and recovery processes are in place to minimize risk of data loss and resulting disruption of business. Through ongoing vigilance and regular employee awareness, Horizon North has not experienced a cyber security event of a material nature. As it is difficult to quantify the significance of such events, cyber-attacks such as, security breaches of Corporation, customer, employee, and vendor information, as well as hardware or software corruption, failure or error, telecommunications system failure, service provider error, intentional or unintentional personnel actions, malicious software, attempts to gain unauthorized access to data and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and the corruption of data, may in certain circumstances be material and could have an adverse effect on Horizon North's business, financial condition and results of operations. As result of the unpredictability of the timing, nature and scope of disruptions from such attacks, Horizon North could potentially be subject to: operational delays, the compromising of confidential or otherwise protected information, destruction or corruption of data, security breaches, other manipulation or improper use of its systems and networks or financial losses, any of which could have a material adverse effect on Horizon North's reputation and competitive position, financial condition or results of operations.

Other Risks

Due to the nature of Horizon North's business, it is subject to a number of regulations, environmental laws and risks associated with lawsuits arising from accidents and claims. Horizon North manages these risks through a combination of quality management, training and by securing insurance coverage to protect the assets of Horizon North in the event of litigation.

Changes in Accounting Policies

Horizon North's IFRS accounting policies are provided in note 3 to the Consolidated Financial Statements as at the years ended December 31, 2017 and 2016. As at December 31, 2017, Horizon North updated its accounting policies to include a policy on assets held for sale and provided an update on the new standards not yet adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers transition. The details are provided in note 3 of the Consolidated Financial Statements as at December 31, 2017.

Critical Accounting Estimates and Judgments

This MD&A of the Corporation's financial condition and results of operations is based on its consolidated financial statements which are prepared in accordance with International Financial Reporting Standards (IFRS). The presentation of these financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of provisions at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates and judgments are based on historical experience and on various assumptions that are believed to be reasonable under the circumstances. Anticipating future events cannot be done with certainty, therefore these estimates may change as new events occur, more experience is acquired and as the Corporation's operating environment changes. The accounting estimates believed to be the most difficult, subjective or complex are the most critical to the reporting of results of operations and financial positions. They are as follows:

Revenue recognition

The Corporation uses the percentage-of-completion method in accounting for its construction contract revenue. Use of the percentage-of-completion method requires estimates of the stage of completion of the contract to date as a proportion of the total contract work to be performed in accordance with the accounting policy set out in the notes to the consolidated financial statements.

Construction Receivable Estimate

The Corporation recognizes that the value of many construction contracts increases over the duration of the construction period. Change orders may be issued by customers to modify the original contract scope of work or certain conditions may result in possible disputes or claims regarding additional amounts owing may arise. Construction work related to a change order or claim may proceed, and costs may be incurred, in advance of final determination of the value of the change order. As many change orders and claims may not be settled until the end of the construction project, significant increases or decreases in revenue and income may arise during any particular accounting period.

Collectability of receivables

The Corporation estimates the collectability of accounts receivable, including unbilled accounts receivable related to current period service revenue. An analysis of historical bad debts, client credit-worthiness, the age of accounts receivable and current economic trends and conditions are used to evaluate the adequacy of the allowance for doubtful accounts and the collectability of receivables. Significant estimates must be made and used in connection with establishing the allowance for doubtful accounts in any accounting period. Material differences may result if management made different judgments or utilized different estimates.

Asset Retirement Obligation

The Corporation recognizes an asset retirement obligation ("ARO") to account for future demobilization and reclamation of specific camps. Use of an ARO requires estimates of the asset retirement costs, timing of payments, present value discount rate and inflation rate to determine the amount recognized, in accordance with the accounting policy set out in the notes to the Consolidated Financial Statements.

Impairment

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal ("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 and the growth rate used for extrapolation purposes.

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

Purchase price equations

The acquired assets and assumed liabilities are generally recognized at fair value on the date the Corporation obtains control of a business. The measurement of each business combination is based on the information available on the acquisition date. The estimate of fair value of the acquired intangible assets and other assets and the liabilities are largely based on projected cash flows, discount rates and market conditions at the date of acquisition. The estimate of fair value of property, plant and equipment is based on available data from comparable sales transactions.

Financial Instruments and Risk Management

(a) Overview

The Corporation is exposed to a number of different financial risks arising from the normal course of 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.

Management's Discussion and Analysis
Three months and years ended December 31, 2017 and 2016



(b) Credit risk

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

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

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

(000's)	December 31, 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).

Management's Discussion and Analysis
Three months and years ended December 31, 2017 and 2016



(c) Liquidity risk

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

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

The following shows the timing of cash outflows relating to trade and other payables and loans and borrowings:

	December 31, 2017		December 31, 2016	
	Trade and other payables ⁽¹⁾	Loans and borrowings ⁽²⁾	Trade and other payables ⁽¹⁾	Loans and borrowings ⁽²⁾
Year 1	\$ 37,936	\$ -	\$ 30,200	\$ -
Year 2	-	73,016	3,248	75,268
Year 3	6,276	-	-	-
Year 4	-	-	3,121	-
Year 5 and beyond	4,941	-	5,048	-
	\$ 49,153	\$ 73,016	\$ 41,617	\$ 75,268

(1) Trade and other payables include trade and other payables, income taxes payable, and provisions.

(2) Loans and borrowings include non-interest bearing notes payable and Horizon North's senior secured revolving term credit facility. Cash flows of Horizon North's note payable have been recorded according to estimated utilization of specific equipment.

(d) Market risk

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

(i) Foreign currency exchange risk

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

As the foreign currency exchange risks are primarily based on the realized foreign exchange, the following sensitivity analysis is to determine the impact on cash used in operating activities. The effect of a \$0.01 increase in the USD/CAD exchange rate would decrease cash used in operating activities for the twelve months ended December 31, 2017 by approximately \$77,000 (the twelve months ended 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 at a rate of prime plus 0.5% to 2.25%. 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 (the twelve months ended 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.

Outstanding Shares

Horizon North had 144,675,339 voting common shares issued and outstanding and exercisable options to purchase 4,029,525 shares for a total potential of 148,704,864 shares as at March 13, 2018.

Off-Balance Sheet Financing

Horizon North has no off-balance sheet financing.

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 \$14.0 million.

Management's Report on Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure Controls and Procedures

Disclosure controls and procedures (DC&P) are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure.

As at December 31, 2017, an evaluation was carried out, under the supervision of the CEO and the Senior Vice President Finance and CFO, of the effectiveness of the design and operation of Horizon North's DC&P as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings. Based on this evaluation, the CEO and Senior Vice President Finance and CFO have concluded that, as at December 31, 2017, Horizon North's DC&P, as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, were effective.

Throughout 2018, Horizon North will continue to evaluate its DC&P making modifications from time-to-time as deemed necessary. There were no changes in Horizon North's DC&P that occurred during the period ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, Horizon North's DC&P.

Internal Controls over Financial Reporting

Internal controls over financial reporting (ICFR) are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate ICFR.

Horizon North's ICFR include, but are not limited to, policies and procedures addressing:

- the maintenance of records that provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS;
- receipts and expenditures are being made only in accordance with authorizations of management and directors;
- maintenance of records in reasonable detail to accurately and fairly reflect transactions and disposition of assets; and
- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on annual and interim consolidated financial statements.

Because of inherent limitations, ICFR can only provide reasonable assurance and may not prevent or detect all misstatements. Additionally, projections of an evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As at December 31, 2017, an evaluation was carried out, under the supervision of the CEO and the Senior Vice President Finance and CFO, of the effectiveness of Horizon North's ICFR based on the framework and criteria established in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013.

Management's Discussion and Analysis

Three months and years ended December 31, 2017 and 2016



Based on this evaluation, management concluded that the design and operating effectiveness of Horizon North's ICFR was effective as of December 31, 2017.

Throughout 2018, Horizon North will continue to evaluate its ICFR making modifications from time-to-time as deemed necessary. There were no changes in Horizon North's ICFR that occurred during the period ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, Horizon North's ICFR.

Limitations on the Effectiveness of Disclosure Controls and Procedures and Internal Control over Financial Reporting

Because of their inherent limitations, DC&P and ICFR may not prevent or detect misstatements, errors or fraud. Control systems, no matter how well conceived or implemented, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met.

Non-GAAP measures

Certain measures in this MD&A do not have any standardized meaning as prescribed by generally accepted accounting principles ("GAAP") and, therefore, are considered non-GAAP measures. These measures are regularly reviewed by the Chief Operating Decision Maker and provide investors with an alternative method for assessing the Corporation's operating results in a manner that is focused on the performance of the Corporation's ongoing operations and to provide a more consistent basis for comparison between periods. These measures should not be construed as alternatives to total profit and total comprehensive income determined in accordance with GAAP as an indicator of the Corporation's performance. The method of calculating these measures may differ from other entities and accordingly, may not be comparable to measures used by other entities. The following non-GAAP measures are used to monitor the Corporation's performance:

EBITDAS: Earnings before interest, taxes, depreciation, amortization, impairment, gain/loss on disposal of property, plant and equipment and share based compensation ("EBITDAS"). Management believes that in addition to total profit and total comprehensive income, EBITDAS is a useful supplemental measure as it provides an indication of the Corporation's ability to generate cash flow in order to fund working capital, service debt, pay current income taxes and fund capital programs, and it is regularly provided to and reviewed by the Chief Operating Decision Maker.

Debt to total capitalization: Calculated as the ratio of debt to total capitalization. Debt is defined as the sum of current and long-term portions of loans and borrowings. Total capitalization is calculated as the sum of debt and shareholders' equity.

Reconciliation of non-GAAP measures

The following provides a reconciliation of non-GAAP measures to the nearest measure under GAAP for items presented throughout the MD&A.

EBITDAS

(000's)	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	2017	2016
Total loss	\$ (3,885)	\$ (7,215)	\$ (7,843)	\$ (20,316)
Add:				
Share based compensation	361	847	1,174	1,651
Depreciation & amortization	10,445	13,297	43,443	49,840
Impairment loss on re-measurement of assets held for sale	-	-	3,457	-
(Gain) loss on disposal of property, plant and equipment	54	(1,231)	(12,094)	(626)
Finance costs	533	672	2,824	2,407
Loss (earnings) on equity investments	(105)	78	-	(126)
Income tax recovery	(617)	(1,839)	(916)	(4,169)
EBITDAS	\$ 6,786	\$ 4,609	\$ 30,045	\$ 28,661

Management's Discussion and Analysis
Three months and years ended December 31, 2017 and 2016



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.

Advisories

This Management's Discussion and Analysis, prepared as at March 13, 2018 focuses on key statistics from the Consolidated Financial Statements and pertains to known risks and uncertainties relating to the business carried on by Horizon North. This discussion should not be considered all-inclusive, as it does not attempt to include changes that may occur in general economic, political and environmental conditions. Additional information related to the Corporation, including the Corporation's annual information form, is available on SEDAR at www.sedar.com. Unless otherwise indicated, the Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards and the reporting currency is in Canadian dollars.

Caution Regarding Forward-Looking Statements and Information

Certain statements contained in this MD&A constitute forward-looking statements or information ("forward-looking statements"). These statements relate to future events or future performance of Horizon North. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "should", "believe" and similar expressions are intended to identify forward-looking statements.

In particular, such forward-looking statements include:

Under the heading "Outlook" the statement that:

"Horizon North's focus in 2018 will continue to be on building out and expanding on initiatives started in 2017, initiatives intended to strengthen and diversify the Industrial Services business.

For 2018, Horizon North expects the revenue and EBITDAS momentum seen in Q4 2017 to continue with the Industrial Services business anticipating moderate strengthening of activity levels as compared to 2017. Although commodity prices have shown some stability, Horizon North does not expect to see any significant strengthening in pricing from 2017 levels and will continue to focus on cost control to improve EBITDAS levels. The Modular Solutions business exited 2017 with a significant backlog and is anticipated to have positive EBITDAS in 2018 through improving efficiencies as the production rate increases to execute on backlog.

Management's Discussion and Analysis

Three months and years ended December 31, 2017 and 2016



The Industrial Services business will be focused on continuing to build-out and expand on the three phase strategy initiated in 2017:

- Leverage the Aboriginal relationships entered into in the second half of 2017 which cover regions north and south of Fort McMurray, Alberta. A significant project undertaken in the second half of 2017 has shown the potential of this region and 2018 is expected to bring several similar projects;
- Focus on the Grande Prairie, Alberta region through securing strategic land locations positioning Horizon North to participate fully in the continued high activity levels expected in the conventional W5/W6 market; and
- Grow Horizon North's presence in the mining sector, specifically on developing opportunities in northern Canada where Horizon North has a strong track record.

Late in 2014 Horizon North undertook several initiatives to develop and secure suitable land positions near proposed LNG project sites on British Columbia's west coast. Horizon North maintained a longer term view of LNG development and continued these initiatives, completing the development of its land asset in Kitimat and building strong relationships with regional First Nations and the municipality. Given the recent renewed potential of LNG projects, Horizon North is now well positioned to take full advantage of opportunities as they arise.

The Modular Solutions business is expected to continue its growth based on a strengthening backlog and high quality opportunity pipeline which is underpinned largely by social infrastructure and affordable housing projects, a focus by all levels of government. The backlog and opportunity pipeline are providing a higher level of visibility to the business requiring an increase in labour force at our Kamloops, British Columbia manufacturing facility to achieve a critical mass of scale and manufacturing throughput. Horizon North anticipates that Modular Solutions will continue its trend of earnings improvement and contribute positive EBITDAS throughout 2018 as increased volumes drive improved economies of scale.

The strength of the Statement of Financial Position was a priority for Horizon North throughout 2017, and will continue to be a focus for 2018. Cost reduction measures across our operations and the continued centralization of certain general and administrative functions will drive improved cash flow through efficiencies. In addition to a limited and tightly managed capital program, 2018 will continue to assess Horizon North's portfolio of assets to ensure a focus on core business lines. This combination of actions will help ensure the continued strength with respect to the financial position of Horizon North."

Under the heading "Modular Solutions" the statement that:

"The primary metric for Modular Solutions is the backlog of projects and timing of backlog execution. Currently, the focus for this business unit is to secure and increase backlog, which was \$43.9 million at the end of December 2017 compared to \$30.2 million at September 2017. With consistent backlog, revenues and plant efficiencies are expected to improve and generate more stable and predictable results."

The forward-looking statements and information are based on certain assumptions made by Horizon North which include, but are not limited to, assumptions relating to:

- industry activity for oil, natural gas and mineral exploration and development in the western Canadian provinces and northern territories;
- commodity prices;
- capital investment in the Canadian oil and gas sector;
- dividend payments;
- anticipated activity levels for 2018;
- operational results and capital spending;
- anticipated backlog in the Modular Solutions business;
- trade and other receivables;
- future operating costs and Corporation's access to capital;
- the effects of regulation by governmental agencies;
- the competitive environment in which the Corporation operates;
- the ability of the Corporation to attract and retain personnel;
- the development of LNG and commodity transportation infrastructure;
- the relationships between the Corporation and its customers; and
- general economic and financial conditions.

Management's Discussion and Analysis

Three months and years ended December 31, 2017 and 2016



Although Horizon North believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Horizon North cannot give any assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of known and unknown risks and uncertainties. Such risks and uncertainties include, but are not limited to, the following:

- volatility in the price and demand for oil, natural gas and minerals;
- fluctuations in the demand for the Corporation's services;
- availability of qualified personnel;
- changes in regulation by governmental agencies, including environmental regulation; and
- other factors listed under "Risks and Uncertainties" in this MD&A and other risk factors identified in the Corporation's annual information form.

Readers are cautioned that the foregoing list of risks and uncertainties is not exhaustive. Additional information on these and other risk factors that could affect Horizon North's operations and financial results are included in Horizon North's annual information form which may be accessed through the SEDAR website at www.sedar.com. In addition, the reader is cautioned that historical results are not indicative of future performance. The forward-looking statements and information contained in this MD&A are made as of the date hereof and Horizon North does not undertake any obligation to update publicly or revise any forward-looking statements and information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Certain information set out herein may be considered as "financial outlook" within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding Horizon North's reasonable expectations as to the anticipated results of its proposed business activities for the periods indicated. Readers are cautioned that the financial outlook may not be appropriate for other purposes.



Management's Report to Shareholders

The accompanying consolidated financial statements of Horizon North Logistics Inc. ("Horizon North" or the "Corporation") have been approved by the Board of Directors (the "Board") of Horizon North and have been prepared by management in accordance with International Financial Reporting Standards. Financial statements will, by necessity, include certain amounts based on estimates and judgments. The financial information contained throughout this report has been reviewed to ensure consistency with these consolidated financial statements.

Management has overall responsibility for internal controls and maintains accounting systems designed to provide reasonable assurance that transactions are properly authorized, assets safeguarded and that the financial records form a reliable base for the preparation of accurate and timely financial information. The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of disclosure controls and procedures and internal controls over financial reporting and have concluded that they are effective.

The Board oversees the management of the business and affairs of Horizon North; including ensuring management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee, which consists of four independent directors. An independent firm of chartered accountants, appointed as external auditor by the shareholders, has audited the consolidated financial statements and its report is included herein. The Audit Committee has reviewed the consolidated financial statements with management and the external auditor.

Rod Graham
President and
Chief Executive Officer

Scott Matson
Senior Vice President Finance and
Chief Financial Officer

March 13, 2018



KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB
T2P 4B9

Telephone (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

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

	December 31, 2017	December 31, 2016
(000's)		
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

	December 31, 2017	December 31, 2016
(000's)		
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

	December 31, 2017	December 31, 2016
(000's)		
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:

	December 31, 2017	December 31, 2016
(000's)		
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:

(000's)	Assets		Liabilities		Net	
	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,					Foreign		December 31,
(000's)	2015			Additions	Disposals	Translation		2016
Camp facilities, setup & installation	\$	470,307	\$	20,401	\$	(60,347)	\$	456,452
Land & buildings		55,105		7,829		(680)	-	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)	\$	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)	\$	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)	\$	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.

Corporate Information

Directors

Ann Rooney⁽¹⁾⁽²⁾
Calgary, Alberta

Bradley P. D. Fedora⁽²⁾⁽³⁾
Calgary, Alberta

Dale E. Tremblay⁽²⁾⁽³⁾
Calgary, Alberta

Kevin D. Nabholz⁽¹⁾⁽³⁾
Calgary, Alberta

Mary Garden⁽¹⁾⁽³⁾
Victoria, British Columbia

Richard T. Ballantyne⁽¹⁾⁽²⁾
Salt Spring Island, British Columbia

Rod Graham
Calgary, Alberta

Russell Newmark⁽²⁾⁽³⁾
Calgary, Alberta

(1) Audit Committee Member
(2) Health, Safety and Environment Committee Member
(3) Corporate Governance and Compensation Committee Member

Corporate Office

900, 204-4th Avenue S.W.
Calgary, Alberta
T2P 4H4
P 403 517-4654
F 403 517-4678

Website

www.horizonnorth.ca

Officers

Kevin D. Nabholz
Chair of the Board

Rod Graham
President and Chief Executive Officer

Scott Matson
Senior Vice President Finance and Chief Financial Officer

Bill Anderson
Executive Vice President QHSE

Jan Campbell
Corporate Secretary

Legal Counsel

Borden Ladner Gervais LLP
Calgary, Alberta

Auditor

KPMG LLP
Calgary, Alberta

Stock Exchange Listing

Toronto Stock Exchange
Symbol: HNL

Transfer Agent

AST Trust Company (Canada)
Calgary, Alberta



HORIZON NORTH