This Management's Discussion and Analysis ("MD&A"), prepared as at May 3, 2017 focuses on key statistics from the Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2017 ("Q1 2017") and March 31, 2016 ("Q1 2016") 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.

First Quarter Highlights

- On April 12, 2017, Horizon North announced the award of a $62.0 million three year contract providing camp services to a mining project in Nunavut;
- The Modular Solutions backlog of firm projects closed the quarter at $32.4 million compared to zero in Q1 2016 and $10.7 million in Q4 2016. The backlog represents contracted projects which will be executed in the next twelve months;
- Horizon North settled outstanding insurance claims related to the losses and damage experienced in the May 2016 Fort McMurray, Alberta wildfires. The total settlement was $34.1 million with the majority related to lost equipment and restoration of damaged equipment. An advance payment of $15.0 million was received early in Q4 2016 with the remainder received in Q1 2017;
- Results for Q1 2017, excluding the insurance settlement, were as expected but below Q1 2016. Lower activity levels in the Camps and Catering operations were only partially offset by stronger Q1 2017 matting performance;
- Effective May 3, 2017, the Corporation reached an agreement with its lenders to make certain amendments to its credit facility. The facility has been extended for an additional year, now expiring March 31, 2019. The amended facility includes a more flexible covenant package to accommodate additional working capital requirements related to the Modular Solutions business model. Management elected to reduce borrowing capacity as a cost saving measure to lower costs associated with unused borrowing capacity; and
- On January 1, 2017, Horizon North realigned its reportable segments reflecting the formalization of its diversification strategy which bifurcated the business base into two distinct business units. The Industrial Services business unit consists of the legacy Camps and Catering and Rentals and Logistics operations serving the Corporation's traditional end markets. The Modular Solutions business unit consists of the supply of permanent modular structures serving both commercial and residential end markets across Canada.

First Quarter Financial Summary

(000's except per share amounts)		Three months ended March 31 2017		2016	% change
Revenue	$	70,488	$	77,909	(10)
EBITDAS[(1)]		8,254		13,236	(38)
EBITDAS as a % of revenue		12%		17%	
Operating earnings		8,153		179	4,455
Operating earnings as a % of revenue		12%		-	
Total profit (loss)		5,140		(256)	(2,108)
Total comprehensive income (loss)		5,140		(325)	(1,682)
Earnings per share					
Basic	$	0.04	$	-	
Diluted	$	0.04	$	-	
Total assets	$	485,961	$	476,341	2
Total current and non current portion of loans and borrowings		70,771		70,088	1
Funds from operations		6,661		13,235	(50)
Net Capital spending		(9,612)		3,806	(353)
Senior and total debt to EBITDAS[(2)]		2.84:1.00		1.51:1.00	
Debt to total capitalization ratio[(1)]		0.18:1.00		0.17:1.00	
Dividends declared	$	2,892	$	2,651	
Dividends declared per share	$	0.02	$	0.02	

(1) *Please refer to page 23 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 14 of the Management's Discussion and Analysis for the definitions of Debt to EBITDAS.*

Segment Update

As of January 1, 2017, the Corporation updated its reportable segments to more accurately reflect how management evaluates operations. The segment realignment is a result of a diversification strategy including the bifurcation of Horizon North's business base into two distinct streams of product and service offerings. This change is intended to help reduce reliance on the resource and energy sectors and provide an additional avenue of growth.

The Industrial Services business unit contains Horizon North's legacy operations which are primarily resource sector reliant and include: camp rental and catering operations, manufacturing sales, relocatable structures rentals, access mat rentals, other equipment rentals, used equipment sales, and the associated service and transport within each operation.

The Modular Solutions business unit consists of production, transportation and installation of commercial, retail, and residential modular buildings such as; hotels, office space, affordable housing complexes, seniors centres, multifamily housing projects and single family residences.

Throughout the following discussion, all 2016 comparatives have been realigned to reflect the updated business units and segments to ensure meaningful comparison.

Impact of Insurance settlement and normalized comparisons

In early May of 2016, wildfires swept through the Fort McMurray, Alberta, area heavily impacting Horizon North's operations. The fire completely destroyed the Blacksand Executive Lodge, caused varying degrees of smoke damage to nearby camps and required most operations to cease as a result of evacuation orders.

Since the fire, Horizon North has worked closely with its insurers finalizing a settlement in Q1 2017. Of the $34.1 million in proceeds received, $30.4 million was attributed to the assets disposed of in 2016. Anticipated proceeds equal to net book value were recognized in 2016 and the remaining proceeds received generated a $12.1 million gain in 2017. Business interruption proceeds of $1.0 million were recorded in 2017, with the balance of proceeds offsetting costs incurred related to the asset claim.

The impact of the settlement on the Q1 2017 results is outlined in the table below followed by the comparison to Q1 2016:

(000's except per share amounts)	Q1 2017	Insurance settlement	Q1 2017 Normalized(1)	Q1 2016	% change vs Normalized
Revenue	$ 70,488	$ (951)	$ 69,537	$ 77,909	(11)
EBITDAS	8,254	(951)	7,303	13,236	(45)
EBITDAS as a % of revenue	12%		11%	17%	
Operating earnings (loss)	8,153	(13,050)	(4,897)	179	(2,836)
Earnings per share					
Basic	$ 0.04	$ (0.09)	$ (0.05)	$ -	
Diluted	$ 0.04	$ (0.09)	$ (0.05)	$ -	

(1) Normalized to exclude insurance settlement received in Q1 2017.

To ensure a meaningful discussion and comparison of the Q1 2017 operational results to Q1 2016, the Q1 2017 operational results throughout this document exclude the impact of the insurance settlement where noted.

First Quarter Overview

Excluding the insurance settlement, the results for Q1 2017 were lower across all financial measures compared to Q1 2016. Lower demand in the Camps & Catering operations drove the majority of lower Q1 2017 revenues compared to Q1 2016. The majority of the decrease in demand was attributable to several significant contracts which expired in the second half of 2016 when the associated projects they were supporting were completed. Softer Camps & Catering revenues were partially offset by strength in the Matting operations and the addition of Modular Solutions revenues.

Revenues from Camps & Catering operations for Q1 2017 decreased compared to Q1 2016 mainly as a result of several significant contracts which expired mid - 2016 as the associated projects they were supporting were completed. As these contracts completed and ramped down throughout 2016, refilling the backlog was particularly challenging given ongoing low levels of project spending and capital investment by our customers which limited the number and scope of bidding opportunities. Decreased pricing and lower large camp activity levels in Q1 2017 drove revenue per average available bed ("RevPAAB") and utilization of $43 and 50% respectively compared to $66 and 64% in Q1 2016.

Revenues from the Rentals and Logistics operations for Q1 2017 increased compared to Q1 2016 as a result of higher mat sales and stronger transport and installation activity related to the sales and higher rental activity. The increase in activity was driven by generally strong drilling activity in the Grande Prairie, Alberta, area combined with very wet ground conditions. Although mat fleet utilization was significantly higher in Q1 2017 compared to Q1 2016, lower revenue per mat rental day offset the utilization increase. Utilization and pricing of the mat rental fleet was 50% and $0.88 per mat rental day respectively, compared to 28% and $1.58 in Q1 2016. Relocatable structures continued to experience decreased demand with utilization of 35% in Q1 2017 compared to 38% in Q1 2016.

There are no comparatives for Modular Solutions operations as this product offering did not materially commence until Q1 2017. Revenues in Q1 2017 consisted primarily of the production and installation of an 85 room hotel in Revelstoke, British Columbia, and several residential housing projects.

Normalized EBITDAS in Q1 2017 decreased compared to Q1 2016 mainly as a result of the significantly lower activity levels and downward pressure on pricing compared to Q1 2016 in Industrial Services. Normalized operating loss and loss per share for Q1 2017 increased compared to Q1 2016 due to the reduced revenues and EBITDAS discussed above. Depreciation and amortization for Q1 2017 decreased compared to Q1 2016 as camp setup costs became fully depreciated throughout the year and due to the disposal of the Blacksand Executive Lodge assets.

Horizon North continues to maintain a strong focus on managing the Statement of Financial Position through monitoring working capital and managing a reduced capital program. Total loans and borrowings remained relatively consistent at the end of each comparative quarter at $70.8 million for Q1 2017 compared to $70.1 million for Q1 2016. As a result of the decreased trailing twelve month EBITDAS, Horizon North's relative leverage increased with a Debt to trailing twelve month EBITDAS ratio at March 31, 2017 of 2.84:1.00 compared to 1.51:1.00 at March 31, 2016.

Outlook

Although there is increasing optimism with oil prices being relatively stable in the $45 - $55 range, Horizon North expects pricing of its services to lag any improvement to utilization and anticipates results to remain relatively flat for the remainder of the year. 2017 will continue to be focused on cost reduction and efficiency initiatives across all operations to maintain and improve margins including assessing Horizon North's portfolio of assets to ensure a focus on core business lines.

The outlook for Modular Solutions is encouraging, closing the quarter with a firm project backlog of $32.4 million, establishing a key distribution relationship in the Fort McMurray, Alberta area and being designated an official Holmes Approved Homes builder. For the remainder of the year there is strong line of sight to multiple commercial projects which are expected to convert into firm backlog and achieve the $40 to $60 million 2017 revenue expectation previously discussed. As the backlog continues to build through the second half of 2017, we anticipate production planning and plant efficiencies will drive a more stable revenue stream. As a result of being in the ramp up phase, infrastructure costs related to the design and technical activities have preceded revenue; however, moving into Q4 2017, Modular Solutions is expected to be a positive contributor as the backlog progresses to production and installation.

The strength of the Statement of Financial Position is a key priority and Horizon North will continue to closely manage debt levels and working capital. Focus will be on maintaining a manageable leverage position and to balance cash outflow with cash inflow through reducing debt, managing working capital and minimizing capital spending. As well, revised covenants in the recently amended credit facility will provide additional ongoing working capital flexibility and, as part of our cost reduction efforts, management elected to decrease borrowing capacity from $200.0 million to $150.0 million to reduce costs associated with unused borrowing capacity.

Dividend payment

Horizon North announced today that its Board of Directors has declared a dividend for the second quarter of 2017 at $0.02 per share. The dividend is payable to shareholders of record at the close of business on June 30, 2017 to be paid on July 14, 2017. The Board of Directors regularly monitors the strength of the Statement of Financial Position, cash from operations and capital requirements to ensure the overall sustainability of Horizon North is not compromised. The dividends will be eligible dividends for Canadian tax purposes.

First Quarter Financial Results

(000's)		Industrial Services		Modular Solutions		Corporate		Eliminations		Total
		Three months ended March 31, 2017								
Revenue	$	61,263	$	9,225	$	-	$	-	$	70,488
Expenses										
Direct costs		44,982		12,695		(128)		-		57,549
Selling & administrative		1,283		295		3,107		-		4,685
EBITDAS	$	14,998	$	(3,765)	$	(2,979)	$	-	$	8,254
EBITDAS as a % of revenue		24%		(41%)		-		-		12%
Share based compensation		72		28		262		-		362
Depreciation & amortization		11,154		487		197		-		11,838
Gain on disposal of property, plant and equipment		(12,047)		-		-		(52)		(12,099)
Operating (loss) earnings	$	15,819	$	(4,280)	$	(3,438)	$	52	$	8,153
Finance costs										740
Earnings on equity Investments										-
Income tax expense										2,273
Total profit									$	5,140
Other comprehensive income										-
Total comprehensive income										5,140
Loss per share – basic									$	0.04
– diluted									$	0.04

(000's)		Industrial Services		Modular Solutions		Corporate		Eliminations		Total
		Three months ended March 31, 2016								
Revenue	$	77,909	$	-	$	-	$	-	$	77,909
Expenses										
Direct costs		60,708		-		(253)		-		60,455
Selling & administrative		1,508		-		2,710		-		4,218
EBITDAS	$	15,693	$	-	$	(2,457)	$	-	$	13,236
EBITDAS as a % of revenue		20%		-		-		-		17%
Share based compensation		149		35		171		-		355
Depreciation & amortization		12,030		400		234		(48)		12,616
Loss on disposal of property, plant and equipment		78		8		-		-		86
Operating earnings (loss)	$	3,436	$	(443)	$	(2,862)	$	48	$	179
Finance costs										569
Earnings on equity Investments										(373)
Income tax expense										239
Total loss									$	(256)
Other comprehensive loss										69
Total comprehensive loss										(325)
Earnings per share – basic									$	-
– diluted									$	-

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)	Q1 2017	Insurance settlement	Q1 2017 Normalized	Q1 2016	% change vs Normalized
Camps & Catering	$ 49,575	$ (951)	$ 48,624	$ 69,418	(30)
Rentals & Logistics	11,688		11,688	8,491	38
Total Revenue	61,263	(951)	60,312	77,909	(23)
EBITDAS	$ 14,998	$ (951)	$ 14,047	$ 15,693	(10)
EBITDAS as a % of revenue	24%		23%	20%	
Operating earnings	15,819	(13,050)	2,769	3,436	(19)

(1) Normalized to exclude insurance settlement received in Q1 2017.

Normalized revenues from operations in Industrial Services for the three months ended March 31, 2017 were $60.3 million, a decrease of $17.6 million or 23% compared to the three months ended March 31, 2016. Normalized EBITDAS in Q1 2017 were $14.0 million, a decrease of $1.6 million or 10% in comparison to Q1 2016. As a percentage of revenue, EBITDAS increased mainly due to the manufacturing losses incurred in Q1 2016 as a result of low throughput.

The decreases in Q1 2017 revenues and EBITDAS, compared to Q1 2016, were primarily associated with the lack of demand for Horizon North's products and services as a result of weak commodity prices which have persisted since late in 2014. The ongoing poor economic environment has driven Horizon North's customers to severely reduce capital budgets and defer projects limiting Horizon North's opportunities to maintain or grow the revenue backlog. Horizon North's revenues in this segment are driven by the resource sector with the majority from the oil and gas sector along with several mining and infrastructure projects. Normalized operating earnings in Q1 2017 were $2.8 million, a decrease of $0.7 million or 19% in comparison to Q1 2016. The decrease was primarily the result of the factors discussed above.

Camps & Catering Segment

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

	Three months ended March 31		
(000's except for operational metrics)	2017	2016	% change
Large Camp revenue	$ 36,728	$ 55,949	(34)
Drill Camp revenue	3,538	2,111	68
Catering only revenue	5,344	4,854	10
Service revenue	3,014	6,065	(50)
Manufacturing sales revenue	-	439	(100)
Total Revenue Normalized (1)	48,624	69,418	(30)
EBITDAS Normalized (1)	$ 11,588	$ 13,715	(16)
EBITDAS Normalized (1) as a % of revenue	24%	20%	
Operating earnings Normalized(1)	$ 2,903	$ 4,650	(38)
Large Camp			
Bed rental days (2)	421,510	549,043	(23)
Revenue per bed rental day	$ 87	$ 102	(15)
RevPAAB (3)	$ 43	$ 66	(35)
Rentable beds at period end	9,489	9,111	4
Average rentable beds (4)	9,435	9,385	1
Utilization (5)	50%	64%	(22)
Drill Camp			
Bed rental days (2)	29,456	15,118	95
Revenue per bed rental day	$ 120	$ 140	(14)
RevPAAB (3)	$ 43	$ 25	72
Rentable beds at period end	897	897	-
Average rentable beds (4)	907	938	(3)
Utilization (5)	36%	18%	100
Catering Only			
Catering only days(6)	36,639	38,597	(5)
Revenue per catering only day	$ 146	$ 126	16

(1) Normalized to exclude insurance proceeds received in Q1 2017. See Impact of Insurance settlement chart on page 2.
(2) 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.
(3) RevPAAB equals revenue per average available rentable bed calculated as applicable camp revenue divided by average rentable beds available in the period.
(4) Average rentable beds is equal to total average beds in the fleet over the period less beds required for staff.
(5) Utilization equals the total number of bed rental days divided by average rentable beds in the period.
(6) One catering only day equals the provision of catering and housekeeping services with no related bed rental for one day.

Large Camp

Revenues from Large Camp for the three months ended March 31, 2017 decreased by $19.2 million, or 34% compared to Q1 2016. The decrease between the comparative quarters was due to several significant large camp contracts expiring and ramped down throughout 2016 resulting in fewer camps operating in Q1 2017 compared to Q1 2016. Customers' ongoing cost reduction efforts have resulted in fewer opportunities to maintain and grow the backlog of work and projects added to the backlog were won with aggressive pricing and tighter margins resulting in lower revenues and reduced EBITDAS.

The softer demand for Large Camp services combined with the downward pressure on pricing resulted in a decrease in the key performance metrics compared to Q1 2016. RevPAAB and utilization were each lower by 35% and 22%, respectively compared to Q1 2016. The fleet size at the end of the period increased by 378 beds or 4%. The increase is the net change related to the disposal of the Blacksand Executive Lodge beds in Q2 2016 and the beds added through the acquisition of Empire Camp Equipment Ltd. in Q3 of 2016.

Drill Camp

Revenues from Drill Camp for the three months ended March 31, 2017 increased by $1.4 million, or 68% compared to Q1 2016 primarily due to increased drilling activity in the Grande Prairie, Alberta area. The higher activity levels drove Drill Camp RevPAAB and utilization of $43 and 36% respectively compared to $25 and 18% in Q1 2016. Revenue per bed rental day decreased by $20 to $120 due to continued pricing pressures within the drilling industry as a whole.

Catering Only

Revenues from the provision of catering and housekeeping services, with no associated bed rentals, for Q1 2017 increased by $0.5 million or 10% compared to same period of 2016. The increase was mainly the addition of a catering contract in Q1 2017 and increase in scope resulting in additional revenues for a project in Nunavut. Revenue per catering only day increased by 16% primarily due to the different contract mix between the comparative quarters.

Service

Service revenues are related to the transportation, set-up and de-mobilization of camps for customers. Revenues for the three months ended March 31, 2017 decreased by $3.1 million or 50% compared to the same period in 2016. The decrease was due to both the mix of contracts and the lower activity levels.

Manufacturing sales

Manufacturing sales revenues include the in-plant construction, transportation and installation of camp equipment sold to third parties. Revenues for the three months ended March 31, 2017 decreased by $0.4 million or 100% compared to the same period in 2016. The decrease is primarily due to the ongoing lack of demand for new camp equipment and facilities experienced over the last several years. This lack of demand was one of the driving factors of the Corporation's diversification strategy and Horizon North now utilizes production capacity to support its Modular Solutions business.

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 includes light towers, garbage bins and other miscellaneous equipment.

	Three months ended March 31		
(000's except for operational metrics)	2017	2016	% change
Relocatable structures revenue [(1)]	$ 969	$ 1,638	(41)
Access mat rentals revenue [(2)]	1,208	1,184	2
Other equipment rentals revenue [(3)]	106	185	(43)
Used equipment sales revenue	2,437	785	210
Installation, transportation, service, and other revenue	6,968	4,699	48
Total revenue	$ 11,688	$ 8,491	38
EBITDAS	$ 2,459	$ 1,978	24
EBITDAS as a % of revenue	21%	23%	
Operating earnings (loss)	(134)	(1,214)	(89)
Relocatable Structures			
Average fleet size	1,215	1,387	(12)
Fleet end of period	1,217	1,406	(13)
Rental days [(4)]	38,528	48,079	(20)
Utilization [(5)]	35%	38%	(8)
Access mats			
Average fleet size owned [(6)]	30,227	28,760	5
Fleet end of period owned [(7)]	33,232	28,961	15
Rental days owned [(8)]	1,363,656	724,573	88
Rental days third party [(9)]	4,400	24,177	(82)
Total Rental Days	1,368,056	748,750	83
Utilization owned [(10)]	50%	28%	79
Revenue per mat rental day [(11)]	$ 0.88	$ 1.58	(44)
Used Sales [(12)]			
Relocatable structures	7	31	(77)
Mats	1,646	580	184

(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 divided by average rentable mats 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 Rental & Logistics for the three months ended March 31, 2017 were $11.7 million, an increase of $3.2 million or 38% in comparison to Q1 2016. The increase was driven by higher activity levels in the matting operations, particularly strong mat sales, stronger transportation and installation associated with higher activity. EBITDAS for Q1 2017 were $2.5 million, an increase of $0.5 million or 24% compared to the same period of 2016. Q1 2017 EBITDAS as a percentage of revenue were 21%, down from 23% in Q1 2016 mainly due to lower mat rental pricing in order to maintain market share.

Relocatable Structures

Relocatable structures revenues include the rental of relocatable structures which includes office units, lavatory units, mine dry units and associated equipment.

Relocatable structures revenues for the three months ended March 31, 2017 decreased $0.7 million or 41% compared to the same period of 2016. The decrease in revenue was the result of lower fleet utilization driven by current market conditions. Fleet utilization dropped to 35% from 38% in Q1 2016 mainly due to economic conditions affecting demand in Q1 2017 compared to Q1 2016.

Access mat rentals revenue

Access mat rental revenue for Q1 2017 remained relatively flat compared to Q1 2016 as a result of higher activity offsetting lower revenue per mat rental day. Rental volumes increased by 83% to 50% utilization of owned mats compared to 28% in Q1 2016; however, this higher activity was offset by lower rental rates. Q1 2017 revenue per mat rental day was $0.88, 44% below Q1 2016 at $1.58. The higher activity levels were driven mainly by the wet ground conditions in the Grande Prairie, Alberta area.

Installation, transportation, service, and other revenue

Installation, transportation, service, and other revenues are driven mainly from the level of activity in the mat rental, mat sale and mat management businesses, and are charged for separately from rentals and sales.

Revenues for the three months ended March 31, 2017 increased by $2.3 million or 48% compared to the same period in 2016. The increase in revenue was primarily driven by the higher mat sales and mat rental activity which typically requires the associated transportation and installation work.

Direct costs

Direct costs in the Industrial Services business unit for the three months ended March 31, 2017 were $45.0 million or 73% of revenue compared to $60.7 million or 78% of revenue for the same period of 2016. Direct costs are driven by both the level and mix of business activity consisting primarily of labour, food costs, raw materials, trucking, rent and utility costs. The decrease in direct costs in Q1 2017, compared to Q1 2016, was primarily related to the decrease in business activity in the Camps & Catering operations. As a percentage of revenue, direct costs decreased primarily as a result of high direct costs associated with Q1 2016 manufacturing operations.

Modular Solutions

Modular Solutions Segment

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

	Three months ended March 31		
(000's)	2017	2016	% change
Modular Solutions revenue	$ 9,225	$ -	-
EBITDAS	$ (3,765)	$ -	-
EBITDAS as a % of revenue	(41%)	-	-
Operating earnings (loss)	$ (4,280)	$ -	-
Backlog [(1)]	$ 32,357	-	-

(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 is a product and service offering that did not materially commence until Q1 2017 and therefore does not have comparatives for Q1 2016. Revenues in Q1 2017 were $9.2 million and consisted primarily of the production and installation of an 85 room hotel in Revelstoke, British Columbia, a multifamily complex and several 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, at the end of Q1 2017 the backlog was $32.4 million compared to $10.7 million at December 31, 2016. With the growth in backlog, revenues and plant efficiencies are anticipated to improve and generate more stable and predictable results.

Direct costs

Direct costs for the three months ended March 31, 2017 were $12.7 million. Direct costs were mainly comprised of labour, raw material, trucking and infrastructure costs which include rent, utilities and the design and technical services required in the bidding cycle and post award production and installation of the product.

Reflective of the startup phase and the length of the sales cycle, the design and technical services costs were the primary drivers of direct costs exceeding revenue.

Selling & administrative costs

Selling & administrative costs are comprised of sales and marketing costs associated with each segment, along with corporate costs which reflect head office costs and include the President and Chief Executive Officer, Senior Vice President Finance and Chief Financial Officer, Executive Vice President Quality & HSE, Vice President Aboriginal & Community Relations, Corporate Secretary, Information Technology, Human Resources, corporate accounting staff and associated costs of supporting a public company.

Selling and administrative costs for the three months ended March 31, 2017 were $4.7 million, an increase of $0.5 million compared to the same period in 2016. As a percentage of revenue, selling and administrative expenses for the three months ended March 31, 2017 were 7% compared to 5% for Q1 2016 as a result of decreased revenue in Q1 2017.

Other items

Depreciation and amortization

	Three months ended March 31		
(000's)	2017	2016	% change
Depreciation of property, plant and equipment	$ 11,154	$ 12,616	(12)
Amortization of Intangibles	684	-	-
Total depreciation and amortization	$ 11,838	$ 12,616	(6)

Depreciation of property, plant and equipment decreased by $1.5 million for the three months ended March 31, 2017 as compared to the same period of 2016. The decrease was mainly a result of fleet disposals throughout 2016 and camps setup assets being fully depreciated.

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 the three months ended March 31, 2017, financing costs were $0.7 million compared to $0.6 million in Q1 2016. The increase in financing costs was mainly a result of higher debt levels in Q1 2017, which averaged $78.0 million compared to $70.3 million in the same period of 2016. The mix of the average debt also differed between the two comparable periods with Q1 2017 carrying a higher proportion of debt in term loan as opposed to bankers acceptances which carry lower interest rates.

The effective interest rate on loans and borrowings for the three months ended March 31, 2017 was 3.8%, higher in comparison to the comparative period at 3.1%. The higher effective interest rate was due to the increased proportion of debt carried in term loan compared to 2016.

Income taxes

Income tax expense for the three months ended March 31, 2017 was $2.3 million compared to $0.2 million in the 2016 comparative period. The increase in income tax expense was attributable to the increase in reported earnings primarily as a result of insurance proceeds.

Gain/Loss on disposal

For the three months ended March 31, 2017, the gain on disposal was $12.1 million compared to a loss of $0.1 million in the same period of 2016. The gains and losses on disposals are typically generated from normal management of operational assets. Q1 2017 included the insurance settlement in excess of recovery over book value from Blacksand Executive Lodge.

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.

Summary of cash flows *(000's)*		March 31, 2017		March 31, 2016
Operating activities	$	(2,223)	$	(3,451)
Investing activties		9,612		(3,806)
Financing activities		(7,389)		7,257
Change in cash position	$	-	$	-

For the three months ended March 31, 2017, operating activities consumed $2.2 million of cash, compared to consumption of $3.5 million in 2016. The consumption was primarily driven by the increase in non-cash working capital items in each period. Cash from investing activities was provided by net proceeds on disposal of capital assets, including the insurance settlement. Cash used in financing activities included dividend payments of $2.9 million and $4.5 million in credit facility repayment.

Working capital position *(000's)*		March 31, 2017		December 31, 2016
Current assets	$	80,840	$	72,723
Current liabilities excluding loans and borrowings(1)		31,291		31,977
Working capital(2)	$	49,549	$	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.

Working capital at March 31, 2017 was $49.5 million compared to $40.7 million at December 31, 2016, an increase of $8.8 million. The increase in working capital was primarily due to the longer-term receivables generated by Modular Solution contracts.

Borrowing capacity *(000's)*		March 31, 2017		December 31, 2016
Bank borrowing:				
Available credit facility	$	200,000	$	200,000
Drawings on credit facility		70,771		75,268
Borrowing capacity(3)	$	129,229	$	124,732

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

The credit facility has an available limit of $200.0 million and is secured by a $400.0 million first fixed and floating charge debenture over all assets of the Corporation and its wholly-owned subsidiaries. The interest rate is calculated on a grid pricing structure based on the Corporation's debt to EBITDAS ratio. Debt to EBITDAS is calculated as at the quarter end for the most recently completed calendar quarter and for the 12 months ended on such date. Amounts drawn on the credit facility incur interest at bank prime rate plus 0.50% to 1.75% or the Bankers' Acceptance rate plus 1.50% to 2.75%. The credit facility has a standby fee ranging from 0.34% to 0.62%.

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

Debt Covenants	Covenants March, 2017
Maximum Consolidated Senior debt (1) to Consolidated EBITDAS ratio (3)(4) (must be 3.00:1.00 or less)	2.84:1.00
Maximum Consolidated Total debt (2) to Consolidated EBITDAS ratio (3)(5) (must be 4.25:1.00 or less)	2.84:1.00
Minimum Consolidated Interest coverage ratio(6) (must be 3.00:1.00 or more)	9.52:1.00

(1) Senior debt is calculated as the sum of current and long-term portions of loans and borrowings less vehicle and equipment financing.
(2) Total debt is calculated as the sum of current and long-term portions of loans and borrowings.
(3) EBITDAS (Earnings before interest, taxes, depreciation, amortization, gain/loss on disposal of property, plant and equipment, and share based compensation) is not a recognized measure under International Financial Reporting Standards. Management believes that in addition to net earnings, EBITDAS is a useful supplemental measure as it provides an indication of the Corporation's ability to generate cash flow in order to fund working capital, service debt, pay current income taxes and fund capital programs, and it is regularly provided to and reviewed by the Chief Operating Decision Maker. Horizon North's method of calculating EBITDAS may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities.
(4) Senior debt to EBITDAS is calculated as the ratio of senior debt to trailing 12 months EBITDAS which includes Empire Camp Equipment Ltd. and Karoleena Inc.
(5) Total debt to EBITDAS is calculated as the ratio of total debt to trailing 12 months EBITDAS which includes Empire Camp Equipment Ltd. and Karoleena Inc.
(6) Interest coverage is calculated as the ratio of trailing 12 months EBITDAS, which includes Empire Camp Equipment Ltd. and Karoleena Inc., to 12 months trailing interest expense on loans and borrowings.

Credit Facility Amendments

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

The Maximum Senior Debt to EBITDA ratio covenants will be amended as follows:

- 4.00:1 for quarter ending June 30, 2017
- 4.25:1 for quarters ending September 30 and December 31, 2017
- 3.50:1 for quarter ending March 31, 2018
- 3.25:1 for quarter ending June 30, 2018
- 3.00:1 for quarters ending September 30, 2018 and thereafter

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%.

Capital Spending

For the three months ended March 31, 2017, capital spending was $5.0 million compared to $7.5 million in the same period of 2016 as a result of a focused and disciplined 2017 capital program. Capital spending in Q1 2017 was mainly focused on fulfilling land improvement commitments related to the Kitimat, British Columbia, property in preparation for future development and matting to supplement the mat rental fleet.

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 the three months ended March 31, 2017 of $9.6 million compared to $3.8 million net capital spending for the same period of 2016. The net proceeds in Q1 2017 related to the insurance claim for the loss of the Blacksand Executive Lodge.

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	March
(000's except per share amounts)	2017	2017	2017	2017	2017
Revenue	$ 70,488				$ 70,488
EBITDAS	8,254				8,254
Operating earnings	8,153				8,153
Total profit	5,140				5,140
Total comprehensive income	5,140				5,140
Earnings per share – basic	$ 0.04				$ 0.04
Earnings per share – diluted	$ 0.04				$ 0.04

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

	Three months ended				Year ended
	March	June	September	December	December
(000's except per share amounts)	2015	2015	2015	2015	2015
Revenue	$ 133,968	$ 84,888	$ 82,311	$ 68,722	$ 369,889
EBITDAS	29,414	10,093	14,435	8,518	62,460
Operating earnings (loss)	15,439	(4,034)	313	(6,940)	4,778
Total (profit) loss	10,282	(5,958)	(170)	(4,986)	(832)
Total comprehensive income (loss)	10,700	(6,308)	(273)	(4,894)	(775)
Earnings (loss) per share – basic	$ 0.09	$ (0.05)	$ -	$ (0.04)	$ (0.01)
Earnings (loss) per share – diluted	$ 0.09	$ (0.05)	$ -	$ (0.04)	$ (0.01)

Horizon North was primarily a provider of products and services to the resource sector with its performance typically closely associated with the fluctuations in commodity pricing and activity levels in that sector. These fluctuations can create an increasingly competitive environment resulting in downward pressure on pricing and reduced demand for Horizon North's products and services which is reflected in the trend over the previous eight quarters. As well, Horizon North's decisions on the allocation of manufacturing resources between external projects and internal fleet requirements along with the time required to redeploy camp and catering fleet assets into more active areas can significantly affect the timing of revenues between the quarters and impact performance. As a result of these factors, performance tends to be lumpy depending on mix and timing of projects. Although there is some seasonality with Q1 generally stronger, this effect can be muted or compounded by the other factors of manufacturing allocation and camp redeployments.

Moving forward, Horizon North has transitioned away from the traditional camp manufacturing by focusing the manufacturing infrastructure on permanent modular construction. This is a diversification strategy intended to decrease the dependence on the resource sector and provide a smoother and more reliable business operation.

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 our customers require reasonable access to credit facilities and debt capital markets to finance their projects. If the availability of credit to our customers is reduced, they may reduce their expenditures, thereby decreasing demand for our products and services. A reduction in spending by our customers could adversely affect our 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 no major customer who generated more than 10% of total revenues in Q1 2017. During Q1 2016, the Corporation had one major customer who generated 17% of total revenues. 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 gas exploration and development industry, with specific focus on oil sands related projects. Focus and scrutiny has recently intensified on oil sands development, which could lead to incremental environmental regulation or legislation.

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

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

Merger and Acquisition Activity

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

Aboriginal & Community Relations

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

Seasonal Operations

Each of Horizon North's businesses are affected by the seasonality associated with western Canadian oil and natural gas drilling industry. The Camps & Catering segment is exposed to seasonality where the busiest months are January through March and the slowest months are April through September. The Rentals & Logistics segment is typically busiest in the spring and summer months of April through September when soft ground conditions hinder the movement of heavy equipment. 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 event could therefore have a material adverse effect on Horizon North's business, results of operations and financial condition. In the event of a major disaster, Horizon North has in place business continuity arrangements, including disaster recovery plans and insurance coverage to minimize any losses.

Cyber Security

Horizon North manages cyber security risk by ensuring appropriate technologies, processes and practices are effectively designed and implemented to help prevent, detect and respond to threats as they emerge and evolve. The primary risks to Horizon North include, loss of data, destruction or corruption of data, compromising of confidential customer or employee information, leaked information, disruption of business, theft or extortion of funds, regulatory infractions, loss of competitive advantage and reputational damage. Horizon North applies technical and process controls in line with industry-accepted standards to protect its information assets and systems. Data backup and recovery processes are in place to minimize risk of data loss and resulting disruption of business. Through ongoing vigilance and regular employee awareness, Horizon North has not experienced a cyber security event of a material nature. As it is difficult to quantify the significance of such events, cyber-attacks such as, security breaches of Corporation, customer, employee, and vendor information, as well as hardware or software corruption, failure or error, telecommunications system failure, service provider error, intentional or unintentional personnel actions, malicious software, attempts to gain unauthorized access to data and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and the corruption of data, may in certain circumstances be material and could have an adverse effect on Horizon North's business, financial condition and results of operations. As result of the unpredictability of the timing, nature and scope of disruptions from such attacks, Horizon North could potentially be subject to: operational delays, the compromising of confidential or otherwise protected information, destruction or corruption of data, security breaches, other manipulation or improper use of its systems and networks or financial losses, any of which could have a material adverse effect on Horizon North's 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, 2016 and 2015. As at March 31, 2017, there have been no changes in accounting policies.

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

Collectability of receivables

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

Asset Retirement 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 ("FVLCOD") and its value in use ("VIU"). The FVLCOD calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. If no such transactions can be identified, an appropriate valuation model is used. The VIU calculation is based on a discounted cash flow model. The cash flows are derived from the Corporation's forecast and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

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

Purchase price equations

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

Financial Instruments and Risk Management

(a) Overview

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

(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)	March 31, 2017	December 31, 2016
Neither impaired nor past due	$ 25,993	$ 22,066
Outstanding 31-60 days	9,004	6,522
Outstanding 61-90 days	1,241	1,750
Outstanding more than 90 days	3,864	3,401
Total	40,102	33,739
Accrued revenue	12,327	10,058
Construction receivables	11,974	7,242
Other receivables	1,124	6,548
Allowance for doubtful accounts	(1,145)	(1,043)
Total trade and other receivables	$ 64,382	$ 56,544

In the three months ended March 31, 2017, the Corporation provided an allowance for $1.1 million of receivables aged greater than 90 days. As at May 3, 2017, the Corporation has collected $1.5 million on amounts outstanding more than 90 days.

Construction receivables represent progress billings to customers under open construction contracts, holdback amounts billed on construction contracts which are not due until the contract work is substantially completed, amounts recognized as revenue under open construction contracts not billed to customers and highly probable claims. At March 31, 2017, included in construction receivables were holdbacks of $0.3 million (March 31, 2016 - $1.0 million). The total of construction receivables aged less than 90 days was 83% at March 31, 2017 (March 31, 2016 – 39%).

(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:

	March 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	$ 29,751	$ 70,771	$ 30,200	$ -
Year 2	1,132	-	3,248	75,268
Year 3	-	-	-	-
Year 4	2,261	-	3,121	-
Year 5 and beyond	8,501	-	5,048	-
	$ 41,645	$ 70,771	$ 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'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 three months ended March 31, 2017 by approximately $11,000 (March 31, 2016 - $24,600). 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 1.75%. If prime were to have increased by 1.00%, it is estimated that the Corporation's net earnings would have decreased by approximately $192,000 for the three months ended March 31, 2017 (March 31, 2016 - $175,000). 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 144,622,006 voting common shares issued and outstanding and outstanding options to purchase 8,110,639 shares for a total potential of 152,732,645 shares as at May 3, 2017.

Off Balance Sheet Financing

Horizon North has no off balance sheet financing.

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

Disclosure Controls & Procedures

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") as defined in National Instrument 52-109 of the Canadian Securities Administrators, to provide reasonable assurance that: (i) material information relating to the Corporation is made known to the CEO and the CFO by others, particularly during the period in which the interim filings are being prepared; and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

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

Internal Controls over Financial Reporting

The CEO and the CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") as defined in National Instrument 52-109 of the Canadian Securities Administrators, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes to the Corporation's ICFR during the period ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

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

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

Non-GAAP measures

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

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

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

Reconciliation of non-GAAP measures

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

EBITDAS

	Three months ended March 31	
(000's)	2017	2016
Total profit (loss)	$ 5,140	$ (256)
Add:		
Share based compensation	362	355
Depreciation & amortization	11,838	12,616
(Gain) loss on disposal of property, plant and equipment	(12,099)	86
Finance costs	740	569
Earnings on equity investments	-	(373)
Income tax expense	2,273	239
EBITDAS	$ 8,254	$ 13,236

Advisories

This Management's Discussion and Analysis, prepared as at May 3, 2017, focuses on key statistics from the Consolidated Financial Statements and pertains to known risks and uncertainties relating to the business carried on by Horizon North. This discussion should not be considered all-inclusive, as it does not attempt to include changes that may occur in general economic, political and environmental conditions. Additional information related to the Corporation, including the Corporation's annual information form, is available on SEDAR at www.sedar.com. Unless otherwise indicated, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and the reporting currency is in Canadian dollars.

Caution Regarding Forward-Looking Statements and Information

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

In particular, such forward-looking statements include:

- Under the heading "Outlook" the statement that:

  "Although there is increasing optimism with oil prices being relatively stable in the $45 - $55 range, Horizon North expects pricing of its services to lag any improvement to utilization and anticipates results to remain relatively flat for the remainder of the year. 2017 will continue to be focused on cost reduction and efficiency initiatives across all operations to maintain and improve margins including assessing Horizon North's portfolio of assets to ensure a focus on core business lines."

  "The outlook for Modular Solutions is encouraging, closing the quarter with a firm project backlog of $32.4 million, establishing a key distribution relationship in the Fort McMurray, Alberta area and being designated an official Holmes Approved Homes builder. For the remainder of the year there is strong line of sight to multiple commercial projects which are expected to convert into firm backlog and achieve the $40 to $60 million 2017 revenue expectation previously discussed. As the backlog continues to build through the second half of 2017, we anticipate production planning and plant efficiencies will drive a more stable revenue stream. As a result of being in the ramp up phase, infrastructure costs related to the design and technical activities have preceded revenue; however, moving into Q4 2017, Modular Solutions is expected to be a positive contributor as the backlog progresses to production and installation. "

  "The strength of the Statement of Financial Position is a key priority and Horizon North will continue to closely manage debt levels and working capital. Focus will be on maintaining a manageable leverage position and to balance cash outflow with cash inflow through reducing debt, managing working capital and minimizing capital spending. As well, revised covenants in the recently amended credit facility will provide additional ongoing working capital flexibility and, as part of our cost reduction efforts, management elected to decrease borrowing capacity from $200.0 million to $150.0 million to reduce costs associated with unused borrowing capacity."

- The Corporation's focus of its manufacturing infrastructure on permanent modular construction to decrease the dependence on the resource sector to provide a smoother and more reliable business operation;
- The impact of the revisions to the credit facility, including the maturity date thereof;
- The payment of a dividend for the second quarter of 2017 at $0.02 per share and payable to shareholders of record at the close of business on June 30, 2017 to be paid July 14, 2017; and
- The timing of cash outflows related to trade and other payables and loans and borrowings.

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

- industry activity for oil, natural gas and mineral exploration and development in the western Canadian provinces and northern territories;
- commodity prices;
- capital investment in the Canadian oil and gas sector;
- dividend payments;

- anticipated activity levels for 2017;
- operational results and capital spending;
- future operating costs and Corporation's access to capital;
- the effects of regulation by governmental agencies;
- the competitive environment in which the Corporation operates;
- the ability of the Corporation to attract and retain personnel;
- the development of LNG and commodity transportation infrastructure;
- the relationships between the Corporation and its customers; and
- general economic and financial conditions.

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

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

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

Certain information set out herein, including certain information under the heading "Outlook", 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.