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 Corporations 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

	Years ended December 31,				
(000's except per share amounts)	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[(1)]	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 under took 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.

Annual Financial Results

(000's)	Industrial Services	Modular Solutions	Corporate	Eliminations	Total
	Twelve months ended December 31, 2017				
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)	Industrial Services	Modular Solutions	Corporate	Eliminations	Total
	Twelve months ended December 31, 2016				
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

	Three months ended December 31,		
(000's except per share amounts)	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.

Fourth Quarter Financial Results

	Three months ended December 31, 2017				
(000's)	Industrial Services	Modular Solutions	Corporate	Eliminations	Total
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)

	Three months ended December 31, 2016				
(000's)	Industrial Services	Modular Solutions	Corporate	Eliminations	Total
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.

	Three months ended December 31,			Twelve months ended December 31,		
(000's)	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.

Camps & Catering Segment

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

	Three months ended December 31,			Twelve months ended December 31,		
(000's except for operational metrics)	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.

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.

	Three months ended December 31,			Twelve months ended December 31,		
(000's except for operational metrics)	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:

	Three months ended December 31,			Twelve months ended December 31,		
(000's)	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

	Three months ended December 31,			Twelve months ended December 31,		
(000's)	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.

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)*		December 31, 2017		December 31, 2016
Operating activities	$	14,726	$	32,280
Investing activties		(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.

Working capital position *(000's)*		December 31, 2017		December 31, 2016
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.

Borrowing capacity *(000's)*		December 31, 2017		December 31, 2016
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%.

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 ("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)	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).

(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 145,341,118 voting common shares issued and outstanding and exercisable options to purchase 5,170,048 shares for a total potential of 150,511,166 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.

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

	Three months ended December 31,		Twelve months ended December 31,	
(000's)	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-measurment 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

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.

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 under took 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.

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.