

This Management's Discussion and Analysis ("MD&A"), prepared as at May 8, 2018 focuses on key statistics from the Condensed Consolidated Interim Financial Statements ("Consolidated Financial Statements") for the three months ended March 31, 2018 ("Q1 2018") and March 31, 2017 ("Q1 2017") 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.

We encourage readers to read the "Caution Regarding Forward-Looking Statements and Information" section at the end of this document.

About Horizon North

Horizon North is a publicly listed corporation (TSX: HNL.TO) providing a full range of industrial, commercial, and residential products and services. Our Industrial Services division supplies workforce accommodations, camp management services, access solutions, maintenance and utilities. Our Modular Solutions division integrates modern design concepts and technology with state of the art, off-site manufacturing processes; producing high quality building solutions for commercial and residential offerings including offices, hotels, and retail buildings, as well as distinctive single detached dwellings and multi-family residential structures. As a result of our diverse product and service offerings, Horizon North is uniquely positioned to meet the needs of our customers in numerous sectors, anywhere in Canada.

Highlights

- Subsequent to Q1 2018, Horizon North successfully completed the previously announced acquisition of Shelter Modular Inc., a 34,000 sq. ft. full service modular manufacturing company based in Aldergrove, British Columbia;
- Growth of the workforce in the Kamloops, British Columbia manufacturing facility lagged expectations and contributed to weaker than expected results for the quarter. The Aldergrove facility will add additional capacity to execute on the growing backlog in the Modular Solutions division;
- On May 7, 2018 Horizon North entered into a master teaming agreement with EllisDon Corporation ("EllisDon"). The teaming agreement will apply to projects such as hotels, commercial buildings and multi-family structures undertaken by Horizon North's Modular Solutions division. Horizon North and EllisDon will select, pursue, and execute such projects jointly, bringing the respective strengths of each organization to our customers;
- The Modular Solutions business gained significant momentum throughout Q1 2018, closing with a backlog of \$62.5 million compared to \$43.9 million at Q4 2017 with an additional \$127.0 million of high-quality, high probability opportunities;
- Horizon North's joint venture partnership, Halfway River Horizon North, was conditionally awarded \$63 million of turn-key camp services in the Montney region of northeast British Columbia. Pending regulatory and internal customer approvals, the contract is expected to start in Q3 2018 and run through Q4 2019;
- Horizon North continued its dividend policy and paid its 26th consecutive quarterly dividend; and
- EBITDAS for Q1 2018 were below the comparable period of 2017, which included \$1.0 million of insurance proceeds. The decrease was a result of lower large camp and mat sales volumes combined with a shifting contract mix in the Camps & Catering operations as part of a capital light strategy.

Financial Summary

(000's except per share amounts)	Three months ended March 31,		
	2018	2017 ⁽³⁾	% change
Revenue	\$ 82,575	\$ 70,488	17
EBITDAS ⁽¹⁾	4,433	8,254	(46)
EBITDAS as a % of revenue	5%	12%	
Operating (loss) earnings	(7,044)	8,153	(186)
Operating (loss) earnings as a % of revenue	(9%)	12%	
Total (loss) profit	(6,062)	5,140	(218)
Total comprehensive (loss) income	(6,062)	5,140	(218)
Earnings per share			
Basic	\$ (0.04)	\$ 0.04	
Diluted	\$ (0.04)	\$ 0.04	
Total assets	\$ 482,753	\$ 485,961	(1)
Total loans and borrowings	85,550	70,771	21
Adjusted fund flow	4,672	6,661	(30)
Net Capital spending (proceeds)	16,339	(9,612)	(270)
Total debt to EBITDAS ⁽²⁾	3.26:1.00	2.84:1.00	
Debt to total capitalization ratio ⁽¹⁾	0.22:1.00	0.18:1.00	
Dividends declared	\$ 2,907	\$ 2,892	
Dividends declared per share	\$ 0.02	\$ 0.02	

(1) Please refer to Management's Report on Disclosure Controls and Procedures and Internal Control over Financial Reporting section 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 Liquidity and Capital Resources section of the Management's Discussion and Analysis for the definitions of Debt to EBITDAS.

(3) Includes insurance settlement in Q1 2017 related to the Fort McMurray wild fires. See "Impact of Insurance Proceeds" on page 6.

Quarterly Operational Overview

Results for the three months ended March 31, 2018, except for revenue, decreased across all measures compared to the three months ended March 31, 2017. The increase in revenue for Q1 2018, was mainly driven by the Modular Solutions division as a result of greater project volumes compared to Q1 2017. Partially offsetting this increase were lower mat sales and large camp volumes from the Industrial Services division, compared to Q1 2017. Decreased EBITDAS was a result of lower volumes in Industrial Services combined with a different contract mix in the Camps & Catering operation. Additionally, the first quarter of 2017 included an insurance settlement related to the total loss of the Blacksand Executive Lodge during the 2016 Fort McMurray wildfires. See "Effect of Q1 insurance settlement" on page 6 of this MD&A for a normalization of Q1 2017 results.

Industrial Services

Revenues from Industrial Services for Q1 2018 decreased by 2% compared to Q1 2017. The decrease was mainly a result of lower mat sales along with the associated transport and installation activity. The decrease in mat sales was primarily a result of allocating the majority of Q1 2018 mat production to rental fleet to meet continued strong rental demand. The majority of the demand continues to be driven by high levels of activity in the W5/W6 area south of Grande Prairie, Alberta. Partially offsetting the lower mat sales revenue were increased revenues from Camps & Catering which experienced higher catering only activity as a result of recent Aboriginal partnerships in the Fort McMurray, Alberta area which were not in place in Q1 2017. In addition, used camp equipment sales were higher compared to Q1 2017.

Modular Solutions

Modular Solutions revenues for Q1 2018 were above Q1 2017 as a result of the increased number and scope of projects. The projects in Q1 2018 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 Q1 2017.

Other Financial Measures

Horizon North's Q1 2018 EBITDAS decreased compared to Q1 2017, mainly as a result of the volume and contract mix discussed above. As well, Q1 2017 EBITDAS included \$1.0 million of business interruption insurance proceeds related to the 2016 Fort McMurray, Alberta wildfires. Operating loss and loss per share for Q1 2018 was significantly lower compared to Q1 2017 due to lower EBITDAS and the Q1 2017 insurance settlement.

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 \$85.6 million at March 31, 2018 compared to \$74.6 million at December 31, 2017. As a result of the increased debt, Total Debt to EBITDAS ratio was 3.26:1.00 compared to 2.48:1.00 at December 31, 2017.

Outlook

Horizon North's focus in Q2 and the remainder of 2018 will continue to be on:

- Moving forward initiatives started in 2017 intended to strengthen and diversify the Industrial Services business;
- Ensuring Horizon North is positioned and prepared to take advantage of LNG opportunities; and
- Expand the Modular Solution backlog while honing execution.

For Industrial Services, Horizon North anticipates moderate strengthening of activity levels in the Camps & Catering operations compared to Q1 2018. The contract mix experienced in Q1 2018 is expected to shift in the second half of 2018 and include more large camp activity with the expectation of the \$63 million conditional contract award becoming a firm contract. Horizon North does not expect any significant strengthening in pricing and will continue to focus on cost controls and operational discipline to improve EBITDAS levels.

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 Horizon North will continue to develop similar opportunities;
- Focus on the Duvernay and Montney regions through securing strategic land locations which position Horizon North to participate fully in the continued high activity levels expected in world class resource plays similar to 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.

With the likelihood of one LNG project proceeding to final investment decision, Horizon North will continue to develop plans and work to ensure it is well positioned to take full advantage of opportunities as they arise by strengthening existing relationships with regional First Nations and the municipality as well as completing the development of its land asset in Kitimat, British Columbia.

The Modular Solutions business is expected to continue its growth based on Q1 2018 backlog and the high-quality opportunity pipeline underpinned largely by social infrastructure and affordable housing projects. Ramp up of the workforce in the Kamloops plant continues to lag expectations and the desired staffing levels will likely not be achieved until the second half of 2018. The integration of the Shelter Modular Inc. acquisition is expected to be completed by the end of Q2 2018 adding to capacity growth in the second half of 2018. 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 recently announced teaming agreement with EllisDon will further strengthen Modular Solutions ability to grow. The agreement applies to specified projects such as hotels, commercial buildings, and multi-family structures undertaken by Horizon North's Modular Solutions division. Horizon North and EllisDon will select, pursue, and execute such projects jointly, bringing the respective strengths of each organization to customers.

The strength of the Statement of Financial Position is a key priority and Horizon North will continue to closely manage debt levels and working capital. 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, Horizon North will continue to assess its portfolio of assets in 2018 to ensure a focus on core business lines.

Dividend Payment

Horizon North announced today that its Board of Directors has declared a dividend for the second quarter of 2018 at \$0.02 per share. The dividend is payable to shareholders of record at the close of business on June 30, 2018 to be paid on July 13, 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.

Segmented Financial Results

(000's)	Three months ended March 31, 2018					Total
	Industrial Services	Modular Solutions	Corporate	Eliminations		
Revenue	\$ 60,078	\$ 22,525	\$ -	\$ (28)	\$	82,575
Expenses						
Direct costs	50,705	22,166	-	(28)		72,843
Selling & administrative expenses	1,299	629	3,371	-		5,299
EBITDAS	\$ 8,074	\$ (270)	\$ (3,371)	\$ -	\$	4,433
EBITDAS as a % of revenue	13%	(1%)	-	-		5%
Share based compensation	92	30	515	-		637
Depreciation & amortization	10,251	319	113	(1)		10,682
Loss on disposal of property, plant and equipment	158	-	-	-		158
Operating loss	\$ (2,427)	\$ (619)	\$ (3,999)	\$ 1	\$	(7,044)
Finance costs						828
Earnings on equity Investments						(67)
Income tax recovery						(1,743)
Total loss					\$	(6,062)
Other comprehensive income						-
Total comprehensive loss						(6,062)
Earnings (loss) per share – basic					\$	(0.04)
– diluted					\$	(0.04)

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

Presentation update

As of January 1, 2018, the Corporation has updated the presentation of its operating metrics in both the Camps & Catering and the Rentals & Logistics segments. The intent of the update is to present operational performance in a more concise format while ensuring meaningful operational disclosures for the end user. The update also aligns with how Management views and manages the operations.

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

Impact of Insurance Proceeds

Q1 2018 comparison to Q1 2017 normalized for the insurance settlement is outlined in the table below.

<i>(000's except for operational metrics)</i>	Q1 2018	Q1 2017	Insurance proceeds	2017 Normalized ⁽¹⁾
Total revenue	\$ 82,575	\$ 70,488	\$ (951)	\$ 69,537
EBITDAS	4,433	8,254	(951)	7,303
EBITDAS as a % of revenue	5%	12%		11%
Operating (loss) earnings	(7,044)	8,153	(13,050)	(4,897)
(Loss) earnings per share				
Basic	\$ (0.04)	\$ 0.04	\$ (0.09)	\$ (0.05)
Diluted	\$ (0.04)	\$ 0.04	\$ (0.09)	\$ (0.05)

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

Industrial Services

Industrial Services is comprised of Horizon North's 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.

<i>(000's)</i>	Three months ended March 31,		
	2018	2017 ⁽¹⁾	% change
Camps & Catering	\$ 51,549	\$ 48,624	6
Rentals & Logistics	8,529	11,688	(27)
Total Revenue	60,078	60,312	-
EBITDAS	\$ 8,074	\$ 14,047	(43)
EBITDAS as a % of revenue	13%	23%	
Operating (loss) earnings	\$ (2,427)	\$ 2,769	(188)

⁽¹⁾ For comparability revenues and metrics have been adjusted to reflect the normalization of Q1 2017 for insurance proceeds

To ensure a meaningful discussion and comparison of the Q1 2017 operational results to Q1 2018, the Q1 2017 operational results throughout this document exclude the impact of the insurance settlement where noted.

Revenues from Industrial Services for Q1 2018 were \$60.1 million, consistent with the comparative period. Although consistent, the Q1 2018 revenue composition was significantly different than Q1 2017 with comparatively lower mat sales and the associated transport and installation activity offset by increased volumes in the catering only operations. The decrease in mat sales was primarily a result of allocating the majority of Q1 2018 mat production to rental fleet expansion as a result of continued strong rental demand.

The EBITDAS in Q1 2018 were \$8.1 million, a decrease of \$6.0 million or 43% in comparison to Q1 2017. As a percentage of revenue, EBITDAS decreased compared to Q1 2017 primarily as a result of lower mat sales and large camp volumes and revenue mix in the camps and catering operations. Although camp and catering revenues increased compared to Q1 2017, revenues in

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Q1 2018 were comprised of a significantly higher proportion of activity generated from the lower margin catering only operation. Horizon North has experienced a gradual shift in contract mix since Q3 2017 due to catering only contracts signed as a result of additional First Nations partnerships. Through these partnerships Horizon North expects continued growth in catering only work.

Camps & Catering Segment

Camps & Catering revenues are comprised of three revenue streams; camp rental and catering operations which include the service and transport revenue associated with camp setup and demobilization activity, catering only revenue consisting mainly of catering and housekeeping activities and used equipment sales.

<i>(000's except for operational metrics)</i>	Three months ended March 31,		
	2018	2017 ⁽⁵⁾	% change
Camp rental and catering revenue	\$ 38,458	\$ 43,280	\$ (11)
Catering only revenue	10,751	5,344	101
Equipment sales revenue	2,340	-	-
Total Revenue	\$ 51,549	\$ 48,624	6
EBITDAS	7,025	11,588	(39)
EBITDAS as a % of revenue	14%	24%	
Operating (loss) earnings	(942)	2,903	(132)
Camp rental and catering revenue			
Bed rental days ⁽¹⁾	391,516	450,966	(13)
Revenue per bed rental day	\$ 98	\$ 96	2
Rentable beds at period end	9,528	10,386	(8)
Average rentable beds ⁽²⁾	9,542	10,342	(8)
Utilization ⁽³⁾	46%	48%	(4)
Catering only revenue			
Catering only days ⁽⁴⁾	106,385	36,639	190
Revenue per catering only day	\$ 101	\$ 146	(31)

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

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

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

5) For comparability revenues and metrics have been adjusted to reflect the normalization of Q1 2017 for insurance proceeds

Revenues from the Camps & Catering segment for Q1 2018 were \$51.5 million, an increase of \$2.9 million or 6% compared to Q1 2017. EBITDAS for the three months ended March 31, 2018 were \$7.0 million, a decrease of \$4.6 million or 39% compared to Q1 2017. The increase in Q1 2018 segment revenues, compared to Q1 2017, was mainly due to higher volumes for catering only and stronger used equipment sales. Recently signed Aboriginal partnerships in the Fort McMurray, Alberta area resulted in a significant catering only contract. The decrease in Q1 2018 segment EBITDAS and EBITDAS as a percentage of revenue, compared to Q1 2017, was mainly a result of the significantly different contract mix between the quarters with Q1 2018 having a higher proportion of revenue from lower margin offerings and a loss on the used equipment sales.

Camp rental and catering revenue

Revenues from Camp Rental and Catering operations for Q1 2018 decreased by \$4.8 million, or 11% compared to Q1 2017. The decrease compared to Q1 2017 was related to several factors; Q1 2017 included the 450-person turnkey camp operation sold in Q2 2017, generally lower demand associated with the variability of customer's manpower curves and fewer seasonal construction camps compared to Q1 2017 all resulted in a decrease of activity levels by 13% in the Camp Rental and Catering operations. As a result of the comparatively lower activity levels, utilization of the rental fleet decreased to 46% compared to 48% in Q1 2017 on a smaller fleet size. The decrease in fleet size is a result of the camp equipment sales between the comparative quarters.

Catering only revenue

Revenues from the provision of catering and housekeeping services, with no associated bed rentals, for Q1 2018 increased by \$5.4 million or 101% compared to same period of 2017. The increase was mainly due to an additional catering contract in the second half of 2017. Revenue per catering only day decreased by 31% primarily due to the different contract mix between the comparative quarters.

Equipment sales revenue

Equipment sales revenues include new, in-plant camp construction and used fleet sales. Revenues for Q1 2018 increased by \$2.3 million compared to Q1 2017 as a result of an opportunity to sell used camp equipment. Used equipment sales are key part of the fleet management strategy to ensure the right equipment portfolio.

Rentals & Logistics Segment

Rentals & Logistics revenues are comprised of four revenue streams; relocatable structures which is comprised of office units, lavatory units, mine dry units, wellsite units and the associated equipment, mat rentals which consists of access mats and includes rig mats and the associated equipment, used equipment sales, and installation, transportation and service associated with the rentals and sales.

(000's except for operational metrics)	Three months ended March 31,		
	2018	2017	% change
Relocatable structures revenue ⁽¹⁾	\$ 1,330	\$ 1,073	24
Mat rental revenue ⁽²⁾	1,928	1,112	73
Equipment sales revenue	484	2,535	(81)
Installation, transportation, service, and other revenue	4,787	6,968	(31)
Total revenue	\$ 8,529	\$ 11,688	(27)
EBITDAS	\$ 1,049	\$ 2,459	(57)
EBITDAS as a % of revenue	12%	21%	
Operating loss	(1,485)	(134)	1,008
Relocatable Structures			
Average fleet size	1,149	1,318	(13)
Fleet end of period	1,151	1,317	(13)
Rental days ⁽³⁾	42,161	39,274	7
Utilization ⁽⁴⁾	41%	33%	24
Mat rental			
Average fleet size ⁽⁵⁾	31,316	30,413	3
Fleet end of period ⁽⁶⁾	36,990	33,929	9
Mat rental days ⁽⁷⁾	1,897,267	1,368,156	39
Utilization ⁽⁸⁾	67%	50%	34
Revenue per mat rental day ⁽⁹⁾	\$ 1.02	\$ 0.81	26
Equipment Sales ⁽¹⁰⁾			
Relocatable structures	32	7	357
Mats	360	3,443	(90)

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

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

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

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

(5) Average mat rental fleet numbers reflect all mats.

(6) Mats in rental fleet at period end represents the number of mats in the Matting fleet.

(7) One mat rental day equals the rental of one mat for one day.

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

(9) Revenue per mat rental day equals mat rentals revenue divided by total mat rental days.

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

Revenues from Rentals & Logistics for Q1 2018 decreased by \$3.2 million, or 27% compared to Q1 2017. EBITDAS for Q1 2018 were \$1.0 million or 12% of revenue, a decrease of \$1.4 million or 57% compared to Q1 2017. The decrease was primarily related to significantly lower mat sales and a reduction in the related transportation and installation activity compared to Q1 2017. The lower mat sales were mainly a result of high mat rental demand with the majority of Q1 2018 mat production allocated to increasing the rental fleet to respond to demand. The mat rental demand is mainly a result of the ongoing high level of activity in the W5/W6 region south of Grande Prairie, Alberta.

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 Q1 2018 increased by \$0.3 million or 24% compared to Q1 2017. The increase in revenue was mainly a result of higher activity levels with Q1 2018 rental days up 7% compared to Q1 2017. Fleet utilization improved between the comparative quarters as a result of higher activity levels and a smaller fleet size from a continuous focus on fleet management, selling the less productive rental units.

Mat rental revenue

Mat rental revenue for Q1 2018 increased \$0.8 million or 73% compared to Q1 2017 with higher activity levels and stronger pricing. Rental volumes increased by 39% compared to Q1 2017 driving a 67% utilization of mats, up from 50% in Q1 2017. Revenue strengthened to \$1.02 per mat rental day compared to \$0.81 per mat rental day in Q1 2017 mainly as a result of stronger demand in the W5/W6 area south of Grande Prairie, Alberta.

Equipment sales revenue

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 Q1 2018 decreased by \$2.0 million or 81% compared to the same period in 2017. The decrease in revenue was driven by lower mat sales with only 360 mats sold compared to 3,443 in Q1 2017. The majority of Q1 2018 mat production was allocated to increasing the mat rental fleet as a result of high mat rental demand.

Installation, transportation, service, and other revenue

Revenues for Q1 2018 decreased by \$2.2 million or 31% compared to Q1 2017. The decrease in revenue was driven by lower mat sales and fewer soil stabilization projects compared to Q1 2017.

Industrial Services direct costs

Direct costs in the Industrial Services business unit for Q1 2018 were \$50.7 million or 84% of revenue compared to \$45.0 million or 73% of revenue for Q1 2017. 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 Q1 2018, compared to Q1 2017, was mainly related to the increase in catering only business activity and the used camp equipment sale. As a percentage of revenue, direct costs increased primarily as a result of the variation in sales mix between the comparative quarters.

Modular Solutions

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

(000's)	Three months ended March 31,		
	2018	2017	% change
Modular Solutions revenue	\$ 22,525	\$ 9,225	144
EBITDAS	(270)	(3,765)	(93)
EBITDAS as a % of revenue	(1%)	(41%)	
Operating loss	(619)	(4,280)	(86)
Backlog ⁽¹⁾	\$ 62,460	\$ 32,357	93

(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 Q1 2018 were \$22.5 million compared to \$9.2 million in Q1 2017. The increase was attributable to the volume of projects between the comparative periods with Q1 2018 having significantly more projects. Projects in Q1 2018 were comprised mainly of commercial projects, including a condominium complex, a hotel project and several affordable housing projects for Vancouver Affordable Housing Agency and BC Housing Management Commission.

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 \$62.5 million at the end of Q1 2018 compared to \$32.4 million at Q1 2017. With consistent backlog, revenues and plant efficiencies are expected to improve and generate more stable and predictable results.

Modular Solutions direct costs

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 98% of revenues in Q1 2018 compared to 138% in Q1 2017, the improvement was mainly driven by economies of scale from higher activity levels absorbing the relatively fixed component of the direct cost.

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, Vice President Strategy & Development, Executive Vice President Strategic Partnerships, Corporate Secretary, information technology, corporate accounting staff and associated costs of supporting a public company.

Selling and administrative expenses for Q1 2018 were \$5.3 million, an increase of \$0.6 million or 13% compared to Q1 2017. The majority of the increase was HSE cost mainly related to the Modular Solutions division increase in activity, with the remainder the addition of the Senior Vice President of Modular Solutions and the Executive Vice President Strategic Partnerships. As a percentage of revenue, selling and administrative expenses were 6% compared to 7% in the comparative quarter of 2017.

Other Items

Depreciation and amortization

(000's)	Three months ended March 31,		
	2018	2017	% change
Depreciation of property, plant and equipment	\$ 9,994	\$ 11,154	(10)
Amortization of intangibles	688	684	1
Total depreciation and amortization	\$ 10,682	\$ 11,838	(10)

Depreciation of property, plant and equipment decreased by \$1.2 million in Q1 2018 as compared to Q1 2017. The decrease was mainly a result of the disposal of assets throughout 2017, 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 Q1 2018, financing costs were \$0.8 million compared to \$0.7 million in Q1 2017. The increase in financing costs was mainly a result of higher average debt levels which averaged \$83.4 million for the three months ended March 31, 2018 compared to \$78.0 million in the same period of 2017.

The effective interest rate on loans and borrowings for the three months ended March 31, 2018 was 4.3% compared to 3.8% in the same period of 2017. The higher effective interest rate was driven by the tiered interest rate structure of the credit facility.

Income taxes

Income tax recovery for the three months ended March 31, 2018 was \$1.7 million compared to income tax expense of \$2.3 million for the 2017 comparative period. The increase in income tax recovery was attributable to the decrease in reported earnings in Q1 2018 compared to Q1 2017.

Gain/Loss on disposal

For the three months ended March 31, 2018, the loss on disposal was \$0.2 million compared to a gain of \$12.1 million in the same period of 2017. The gains and losses on disposals are typically generated from normal management of operational assets. The Q1 2017 gain on disposal included the 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.

	March 31, 2018	March 31, 2017
Summary of cash flows (000's)		
Operating activities	\$ 5,927	\$ (3,349)
Investing activities	(13,537)	10,738
Financing activities	7,610	(7,389)
Change in cash position	\$ -	\$ -

For the three months ended March 31, 2018, operating activities generated \$5.9 million of cash, compared to using \$3.3 million of cash in the same period of 2017. The variance was driven by a decrease in accounts receivable and the slower operating results at the end of Q1 2018 compared to Q1 2017. Cash used in investing activities included the purchase of a 288-person camp facility south of Fort McMurray, Alberta in Q1 2018 compared to net proceeds on disposal of assets related to an insurance settlement in Q1 2017. Cash from financing activities included proceeds received from the credit facility of \$11.5 million.

	March 31, 2018	December 31, 2017
Working capital position (000's)		
Current assets	\$ 108,554	\$ 114,694
Current liabilities excluding loans and borrowings ⁽¹⁾	45,747	44,944
Working capital ⁽²⁾	\$ 62,807	\$ 69,750

(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 March 31, 2018 was \$62.8 million compared to \$69.8 million at December 31, 2017, a decrease of \$7.0 million. The decrease in working capital was primarily due to a decrease in receivables as a result of improved collection efforts.

	March 31, 2018	December 31, 2017
Borrowing capacity (000's)		
Bank borrowing:		
Available credit facility	\$ 150,000	\$ 150,000
Drawings on credit facility	84,539	73,016
Borrowing capacity ⁽³⁾	\$ 65,461	\$ 76,984

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

Effective March 27, 2018, Horizon North reached agreement with its lenders to amend the credit facility. The maturity date was extended to September 30, 2020 to provide certainty with respect to borrowing capacity as the Corporation evaluates its capitalization and debt structure through 2018. 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%.

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Three months ended March 31, 2018 and 2017



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

- 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 March 31, 2018, the Corporation was in compliance with all financial and non-financial covenants as shown below:

Debt Covenants	Covenants March 31, 2018
Maximum Consolidated Senior debt ⁽¹⁾ to Consolidated EBITDAS ratio ^{(3)/(4)} (must be 3.50:1.00 or less)	3.22:1.00
Maximum Consolidated Total debt ⁽²⁾ to Consolidated EBITDAS ratio ^{(3)/(5)} (must be 4.25:1.00 or less)	3.26:1.00
Minimum Consolidated Interest coverage ratio ⁽⁶⁾ (must be 3.00:1.00 or more)	8.04:1.00

(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 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 March 31, 2018, gross capital spending was \$20.1 million compared to \$5.0 million in the same period of 2017. Capital spending in Q1 2018 was mainly related to the purchase of a 288-person camp facility south of Fort McMurray, Alberta and augmenting the access mat fleet as a result of higher utilization during Q1 2018.

Management evaluates and manages its capital spending plans taking into account proceeds from the sale of property, plant and equipment, resulting in net capital spending of \$16.3 million for Q1 2018 compared to \$9.6 million of net proceeds from disposal for Q1 2017. The net proceeds in 2017 mainly related to the insurance claim for the loss of the Blacksand Executive Lodge.

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

Quarterly Summary of Results

	Three months ended			
	2018 March	2017 December	2017 September	2017 June
<i>(000's except per share amounts)</i>				
Revenue	\$ 82,575	\$ 82,664	\$ 79,283	\$ 91,647
EBITDAS	4,433	6,786	6,434	8,571
Operating loss	(7,044)	(4,074)	(7,514)	(2,500)
Total loss	(6,062)	(3,885)	(6,149)	(2,949)
Total comprehensive loss	(6,062)	(3,892)	(6,144)	(2,950)
Loss per share – basic	\$ (0.04)	\$ (0.03)	\$ (0.04)	\$ (0.02)
Loss per share – diluted	\$ (0.04)	\$ (0.03)	\$ (0.04)	\$ (0.02)

	Three months ended			
	2017 March	2016 December	2016 September	2016 June
<i>(000's except per share amounts)</i>				
Revenue	\$ 70,488	\$ 60,420	\$ 60,097	\$ 52,509
EBITDAS	8,254	4,609	7,126	3,690
Operating earnings (loss)	8,153	(8,304)	(4,721)	(9,358)
Total profit (loss)	5,140	(7,215)	(4,863)	(7,982)
Total comprehensive income (loss)	5,140	(7,214)	(4,860)	(7,984)
Earnings (loss) per share – basic	\$ 0.04	\$ (0.05)	\$ (0.04)	\$ (0.06)
Earnings (loss) per share – diluted	\$ 0.04	\$ (0.05)	\$ (0.04)	\$ (0.06)

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 effect 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 and Q1 2018.

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 two major customers who generated 26% of total revenues in Q1 2018 compared to no major customer who generated more than 10% of total revenues in Q1 2017. 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 March 31, 2018, Horizon North updated its accounting policies to include an adoption of IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers transition. The details are provided in note 3 of the Condensed Consolidated Interim Financial Statements as at March 31, 2018.

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 recognizes revenue over time for its construction contracts, and estimates progress of these contracts by comparing costs incurred to the total expected costs of the project. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

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 ("FVL COD") and its value in use ("VIU"). The FVL COD 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.

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Three months ended March 31, 2018 and 2017



(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:

<i>(000's)</i>	March 31, 2018	December 31, 2017
Trade receivables		
Neither impaired nor past due	\$ 20,175	\$ 23,161
Outstanding 31-60 days	9,402	11,820
Outstanding 61-90 days	1,029	2,221
Outstanding more than 90 days	5,826	7,267
Total trade receivables	\$ 36,432	\$ 44,469
Construction receivables		
Neither impaired nor past due	\$ 6,818	\$ 18,655
Outstanding 31-60 days	1,205	918
Outstanding 61-90 days	619	-
Outstanding more than 90 days	15,028	14,006
Total construction receivables	\$ 23,670	\$ 33,579
Accrued revenue	\$ 17,165	\$ 12,953
Accrued construction revenue	20,241	9,695
Other receivables	209	1,034
Allowance for doubtful accounts	(2,931)	(2,965)
Total trade and other receivables	\$ 94,786	\$ 98,765

In the three months ended March 31, 2018, the Corporation provided an allowance for \$2.9 million of receivables aged greater than 90 days. As at May 8, 2018, the Corporation has collected \$0.7 million on amounts outstanding more than 90 days.

Construction receivables represent progress billings to customers under open construction contracts, holdback amounts billed on construction contracts which are not due until the contract work is substantially completed, amounts recognized as revenue under open construction contracts not billed to customers and highly probable claims. At March 31, 2018, included in construction receivables were holdbacks of \$1.5 million (March 31, 2017 - \$0.3 million).

(c) Liquidity risk

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

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

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

	March 31, 2018		December 31, 2017	
	Trade and payables ⁽¹⁾	Loans and borrowings ⁽²⁾	Trade and payables ⁽¹⁾	Loans and borrowings ⁽²⁾
Year 1	\$ 39,499	\$ -	\$ 37,936	\$ -
Year 2	5,389	84,539	-	73,016
Year 3	-	-	6,276	-
Year 4	1,920	-	-	-
Year 5 and beyond	4,120	-	4,941	-
	\$ 50,928	\$ 84,539	\$ 49,153	\$ 73,016

(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 three months ended March 31, 2018 by approximately \$14,800 (March 31, 2017 - \$11,000). 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 0.50% 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 \$206,000 for the three months ended March 31, 2018 (March 31, 2017 - \$192,000). 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 146,400,158 voting common shares issued and outstanding and exercisable options to purchase 8,533,092 shares for a total potential of 154,933,250 shares as at May 8, 2018.

Off-Balance Sheet Financing

Horizon North has no off-balance sheet financing.

Subsequent Event

On April 16, 2018, the Corporation acquired 96.6% of the issued and outstanding shares of Shelter Modular Inc. ("Shelter") for \$3,751,000, payable in a mix of common shares of Horizon North and assumption of existing debt. On closing, the issuance of 1,055,086 common shares of the Corporation with a fair value at the acquisition date of \$2.37 per share for total consideration of \$2,500,555. Shelter is a full-service modular manufacturing company based in Aldergrove, British Columbia.

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

Disclosure Controls and Procedures

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

Throughout 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 March 31, 2018 that have materially affected, or are reasonably likely to materially affect, Horizon North's DC&P.

Internal Controls Over Financial Reporting

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

There were no changes to the Corporation's ICFR during the period ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

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

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

Non-GAAP measures

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

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

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

Reconciliation of non-GAAP measures

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

EBITDAS

(000's)	Three months ended March 31,	
	2018	2017
Total (loss) earnings	\$ (6,062)	\$ 5,140
Add:		
Share based compensation	637	362
Depreciation & amortization	10,682	11,838
Loss (gain) on disposal of property, plant and equipment	158	(12,099)
Finance costs	828	740
Earnings on equity investments	(67)	-
Income tax (recovery) expense	(1,743)	2,273
EBITDAS	\$ 4,433	\$ 8,254

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 "Highlights" the statement that:

"Horizon North's joint venture partnership Halfway River Horizon North was conditionally awarded \$63 million of turn-key camp services in the Montney region of northeast British Columbia. Pending regulatory and internal customer approvals, the contract is expected to start in Q3 2018 and run through Q4 2019."

Under the heading "Outlook" the statement that:

"Horizon North's focus in Q2 and the remainder of 2018 will continue to be on:

- Moving forward initiatives started in 2017 intended to strengthen and diversify the Industrial Services business;
- Ensuring Horizon North is positioned and prepared to take advantage of LNG opportunities; and
- Expand the Modular Solution backlog while honing execution.

For Industrial Services, Horizon North anticipates moderate strengthening of activity levels in the Camps & Catering operations compared to Q1 2018. The contract mix experienced in Q1 2018 is expected to shift in the second half of 2018 and include more large camp activity with the expectation of the \$63 million conditional contract award becoming a firm contract. Horizon North does not expect any significant strengthening in pricing and will continue to focus on cost controls and operational discipline to improve EBITDAS levels.

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 Horizon North will continue to develop similar opportunities;
- Focus on the Duvernay and Montney regions through securing strategic land locations which position Horizon North to participate fully in the continued high activity levels expected in world class resource plays similar to 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.

With the likelihood of one LNG project proceeding to final investment decision, Horizon North will continue to develop plans and work to ensure it is well positioned to take full advantage of opportunities as they arise by strengthening existing relationships with regional First Nations and the municipality as well as completing the development of its land asset in Kitimat, British Columbia.

The Modular Solutions business is expected to continue its growth based on Q1 2018 backlog and the high-quality opportunity pipeline underpinned largely by social infrastructure and affordable housing projects. Ramp up of the workforce in the Kamloops

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plant continues to lag expectations and the desired staffing levels will likely not be achieved until the second half of 2018. The integration of the Shelter Modular Inc. acquisition is expected to be completed by the end of Q2 2018 adding to capacity growth in the second half of 2018. 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 recently announced teaming agreement with EllisDon will further strengthen Modular Solutions ability to grow. The agreement applies to specified projects such as hotels, commercial buildings, and multi-family structures undertaken by Horizon North's Modular Solutions division. Horizon North and EllisDon will select, pursue, and execute such projects jointly, bringing the respective strengths of each organization to customers.

The strength of the Statement of Financial Position is a key priority and Horizon North will continue to closely manage debt levels and working capital. 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, Horizon North will continue to assess its portfolio of assets in 2018 to ensure a focus on core business lines."

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 \$62.5 million at the end of Q1 2018 compared to \$32.4 million at Q1 2017. With consistent backlog, revenues and plant efficiencies are expected to improve and generate more stable and predictable results."

Under the heading "Dividend Payment" regarding the payment of a dividend to shareholders of record at the close of business on June 30, 2018 to be paid on July 13, 2018.

Under the heading "Industrial Services" where Horizon North expects continued growth in catering only work as a result of additional First Nations partnerships.

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

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- 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.