Condensed Consolidated Interim Financial Statements of

HORIZON NORTH

Three and six months ended June 30, 2018 and 2017 (Unaudited)

HORIZON NORTH

Condensed consolidated statement of financial position (Unaudited)

(000's)		June 30, 2018		December 31, 2017
Assets				
Current assets:				
Trade and other receivables	$	89,196	$	98,765
Inventories		7,071		7,427
Prepayments		4,162		5,437
Income taxes receivable		3,723		3,065
Total current assets		104,152		114,694
Non-current assets:				
Property, plant and equipment (Note 5)		341,436		338,122
Intangible assets		2,969		4,348
Goodwill		23,098		20,545
Other assets		1,977		2,041
Total non-current assets		369,480		365,056
Total assets	$	473,632	$	479,750
Liabilities and Shareholders' Equity				
Current liabilities:				
Trade and other payables	$	37,022	$	33,001
Deferred revenue		8,309		7,008
Current portion of asset retirement obligation		1,842		3,347
Finance lease liabilities		948		1,588
Total current liabilities		48,121		44,944
Non-current liabilities:				
Asset retirement obligations		12,075		11,217
Loans and borrowings (Note 6)		32,588		73,016
Deferred tax liabilities		39,349		45,509
Total liabilities		132,133		174,686
Shareholders' equity:				
Share capital (Note 9)		338,469		286,754
Contributed surplus		16,590		16,181
Accumulated other comprehensive income		716		761
Retained earnings		(14,276)		1,368
Total shareholders' equity		341,499		305,064
Total liabilities and shareholders' equity	$	473,632	$	479,750

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

Condensed consolidated statement of comprehensive (loss) income (Unaudited)
Three and six months ended June 30, 2018 and 2017

HORIZON NORTH

(000's except per share amounts)	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Revenue (Note 8)	$ 93,603	$ 91,647	$ 176,178	$ 162,135
Operating expenses:				
Direct costs	80,813	76,506	153,656	134,055
Depreciation (Note 5)	9,752	10,466	19,746	21,620
Amortization of intangible assets	691	689	1,379	1,373
Share based compensation (Note 9)	156	322	278	422
Gain on disposal of property, plant and equipment	(357)	(260)	(199)	(12,359)
Direct operating expenses	91,055	87,723	174,860	145,111
Gross profit	2,548	3,924	1,318	17,024
Selling & administrative expenses:				
Selling & administrative expenses	5,904	6,570	11,203	11,255
Share based compensation (Note 9)	444	(146)	959	116
Selling & administrative expenses	6,348	6,424	12,162	11,371
Operating (loss) earnings	(3,800)	(2,500)	(10,844)	5,653
Finance costs	924	763	1,752	1,503
(Earnings) loss from equity investments	-	191	(67)	191
(Loss) earnings before tax	(4,724)	(3,454)	(12,529)	3,959
Current tax recovery	(101)	(683)	(72)	(1,578)
Deferred tax (recovery) expense	(1,233)	178	(3,005)	3,346
Income tax (recovery) expense (Note 7)	(1,334)	(505)	(3,077)	1,768
Total (loss) profit	(3,390)	(2,949)	(9,452)	2,191
Other comprehensive income:				
Translation of foreign operations	(45)	(1)	(45)	(1)
Other comprehensive income, net of income tax	(45)	(1)	(45)	(1)
Total comprehensive (loss) income	$ (3,435)	$ (2,950)	$ (9,497)	$ 2,190
(Loss) earnings per share:				
Basic (Note 10)	$ (0.02)	$ (0.02)	$ (0.06)	$ 0.02
Diluted (Note 10)	$ (0.02)	$ (0.02)	$ (0.06)	$ 0.02

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

Condensed consolidated statement of changes in equity (Unaudited)

(000's)	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance at December 31, 2016	$ 286,674	$ 15,465	$ 764	$ 20,784	$ 323,687
Total profit	-	-	-	2,191	2,191
Share based compensation	-	301	-	-	301
Share options exercised	38	(8)	-	-	30
Translation of foreign operations	-	-	(1)	-	(1)
Dividends	-	-	-	(5,785)	(5,785)
Balance at June 30, 2017	$ 286,712	$ 15,758	$ 763	$ 17,190	$ 320,423
Total loss	-	-	-	(10,034)	(10,034)
Share based compensation (Note 9)	-	433	-	-	433
Share options exercised (Note 9)	42	(10)	-	-	32
Translation of foreign operations	-	-	(2)	-	(2)
Dividends (Note 11)	-	-	-	(5,788)	(5,788)
Balance at December 31, 2017	$ 286,754	$ 16,181	$ 761	$ 1,368	$ 305,064
Total loss	-	-	-	(9,452)	(9,452)
Share based compensation (Note 9)	-	436	-	-	436
Share options exercised (Note 9)	153	(27)	-	-	126
Issue of share capital (Note 9)	53,330	-	-	-	53,330
Share issue costs, net of tax (Note 9)	(1,768)	-	-	-	(1,768)
Translation of foreign operations	-	-	(45)	-	(45)
Dividends (Note 11)	-	-	-	(6,192)	(6,192)
Balance at June 30, 2018	$ 338,469	$ 16,590	$ 716	$ (14,276)	$ 341,499

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

Condensed consolidated statement of cash flows (Unaudited)
Six months ended June 30, 2018 and 2017

(000's)	June 30, 2018	June 30, 2017
Cash provided by (used in):		
Operating activities:		
(Loss) profit for the period	$ (9,452)	$ 2,191
Adjustments for:		
Depreciation (Note 5)	19,746	21,620
Amortization of intangible assets	1,379	1,373
Share based compensation (Note 9)	1,237	538
Amortization of other assets	64	64
Gain on disposal of property, plant and equipment	(199)	(12,359)
Book value of used fleet sales	864	15,627
(Earnings) loss on equity investments	(67)	191
Unrealized foreign exchange loss	(45)	(5)
Finance costs	1,752	1,503
Income tax (recovery) expense (Note 7)	(3,077)	1,768
Asset retirement obligation settled	(3,539)	(39)
Income taxes paid	(521)	(201)
Interest paid	(1,995)	(1,498)
Funds flow	6,147	30,773
Changes in non-cash working capital items	11,268	(25,204)
Net cash flows from operating activities	17,415	5,569
Investing activities:		
Purchase of property, plant and equipment (Note 5)	(19,642)	(6,284)
Proceeds on sale of property, plant and equipment	3,656	12,859
Business acquisition, net of cash acquired	(1,309)	(197)
Net cash flows (used in) from investing activities	(17,295)	6,378
Financing activities:		
Shares issued, net of share issue costs (Note 9)	47,704	30
Finance lease liabilities	(1,595)	-
Repayment of loans and borrowings	(40,428)	(6,193)
Payment of dividends (Note 11)	(5,801)	(5,784)
Net cash flows used in financing activities	(120)	(11,947)
Change in cash position	-	-
Cash, beginning of period	-	-
Cash, end of period	$ -	$ -

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

1. Reporting Entity

Horizon North Logistics Inc. ("Horizon North" or the "Corporation") is a corporation registered and domiciled in Canada and is a publicly-traded company, listed on the Toronto Stock Exchange under the symbol HNL. The Corporation's registered offices are at 900, 240-4th Avenue SW, Calgary, AB T2P 4H4. The condensed consolidated interim financial statements of the Corporation as at and for the three and six month period ended June 30, 2018 comprise the Corporation and its subsidiaries and the Corporation's interest in associates and jointly controlled entities. Horizon North provides a full range of industrial, commercial, and residential products and services. Industrial services include workforce accommodations, camp management services, access solutions, maintenance and utilities. The Corporation's modular solutions 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 the diverse product and service offerings, Horizon North is uniquely positioned to meet the needs of our customers in numerous sectors, anywhere in Canada.

2. Basis of Presentation

(a) Statement of compliance

These financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Corporation adopted in its consolidated financial statements for the year ended December 31, 2017, except as discussed below. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. These financial statements were approved by the board of directors of Horizon North on August 2, 2018.

(b) Use of estimates and judgments

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

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

In preparing these condensed consolidated interim financial statements, unless otherwise stated, the significant judgments, estimates and underlying assumptions made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2017, except as discussed below.

Estimates

- Revenue Recognition Estimates – 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.

3. Significant Accounting Policies and Determination of Fair Values

The accounting policies and determination of fair values were set out in Note 3 and 4 of the Corporation's annual consolidated financial statements for the year ended December 31, 2017. Other than described below, these policies have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

As a result, these condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2017.

(a) Changes in significant accounting policies

(i) Adoption of IFRS 9 - Financial Instruments

Effective January 1, 2018, the Corporation adopted IFRS 9 - Financial Instruments, which replaced IAS 39 - Financial Instruments: Recognition and Measurement. The adoption of IFRS 9 did not have a material impact on the Corporation's Consolidated Financial Statements.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The previous IAS 39 categories of held to maturity, loans and receivables and available for sale are eliminated. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Impairment of financial assets: IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. The new impairment model applies to financial assets measured at amortized cost, and contract assets and debt instruments at FVOCI. Under IFRS 9, credit losses are recognized earlier than IAS 39.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The differences between the two standards did not impact the Corporation at the time of transition. The adoption of IFRS 9 has not had a significant effect on the Corporation's accounting policies related to financial liabilities.

(ii) Adoption of IFRS 15 - Revenue from Contracts with Customers

Effective January 1, 2018, the Corporation adopted IFRS 15 - Revenue from Contracts with Customers replacing IAS 11 - Construction Contracts, IAS 18 - Revenue and several revenue-related interpretations. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized.

The impacts of adopting IFRS 15 on the Corporation's condensed Consolidated Interim Statement of Financial Position as at June 30, 2018, the Consolidated Interim Statement of Comprehensive Loss and the Consolidated Interim Statement of Cash Flow, did not result in adjustments and did not materially impact the timing or measurement of revenue. However, IFRS 15 contains new disclosure requirements.

The Corporation has adopted IFRS 15 using the modified retrospective method, with the effect of initially applying this standard recognized at the date of initial application, January 1, 2018. Accordingly, the information presented for 2017 has not been restated, it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

3. Significant Accounting Policies and Determination of Fair Values (continued)

(b) Update to Significant Accounting Policies

(i) Financial Instruments

Financial Instrument	IAS 39 Category	IFRS 9 Category
Trade and other receivables	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Loans and borrowings	Other financial liabilities	Amortized cost

(i) Non-derivative financial assets

The initial classification of a financial asset depends upon the Corporation's business model for managing its financial assets and the contractual terms of the cash flows. There are three measurement categories into which the Corporation classified its financial assets:

- Amortized Cost: Includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest;
- FVOCI: Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest; or
- FVTPL: Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through profit or loss. This includes all derivative financial assets.

The Corporation initially recognizes trade and other receivables on the date that they originate. All other financial assets are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation's financial assets, trade and other receivables, are initially recognized at fair value plus any directly attributable transaction costs. Subsequently, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

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

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

(ii) Non-derivative financial liabilities

The Corporation's financial liabilities are categorized as measured at amortized cost.

The Corporation initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which it becomes a party to the contractual provisions of the instrument.

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

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

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

3. Significant Accounting Policies and Determination of Fair Values (continued)

(b) Update to Significant Accounting Policies (continued)

(iii) Share capital

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

(ii) Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Corporation recognizes revenue when it transfers control of the product or service to a customer, which is generally when title passes from the Corporation to its customer or when the customer receives the benefits from the service.

The Corporation recognizes revenue from the following major products and services:

(i) Camp rental and catering revenue

The Corporation provides camp rental and catering services to its customers. Depending on the customer's requirements contracts may be for camp rental only, catering and maintenance services only, or both camp rental and catering services. Revenue from the camp rental and catering services are recognized over time as services are performed. Occupancy days or mandays at the applicable day rate are used to measure recognizable revenue of the camp. Minimum mandays are included in certain contracts and contract variability, as a result of fluctuating mandays, is recognized in the period in which the mandays occur.

(ii) Construction contract revenue

Construction contract revenue includes the initial amount agreed to in the contract plus any variations in contract work, claims, and incentive payments, to the extent that it is highly probable that a significant revenue reversal will not occur. 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. Contract expenses are recognized as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognized immediately in profit or loss.

(iii) Rendering of services

The Corporation provides access mat rental, relocatable structure rental, and transportation services to customers. Revenue from rendering of these services are recognized over time. Rental days are used to measure the rental fleet revenue. Revenue is recognized at the applicable day rate for each asset rented, based on rates specified in each contract, and as the services are performed.

(iv) Sale of used fleet

The Corporation routinely sells items of property, plant and equipment that it has held for rental and such assets are transferred to inventories at their carrying amount when they cease to be held for rent. The proceeds from the sale of such assets are recognized as revenue at a point in time when control of the assets transfers.

(v) Sale of other goods

Revenue from the sale of other goods is measured at the fair value of the consideration received or receivable. The Corporation recognizes revenue when it transfers control of the product or service to a customer, which is generally when title passes from the Corporation to its customer, collectability is reasonably assured, the associated costs can be estimated reliably, and there is no continuing management involvement with the goods. The Corporation recognizes revenue from the sale of other goods at a point in time.

4. Business Combinations

Shelter Modular Inc. ("Shelter")

On April 16, 2018, the Corporation acquired 100% of the issued and outstanding shares of Shelter Modular Inc. for $3,648,000, payable in a mix of common shares of Horizon North (“Horizon Shares”) and assumption of existing debt. The Corporation issued 983,004 common shares with a fair value at the acquisition date of $2.37 per share for total consideration of $2,330,000 at closing.

Shelter is a full-service modular manufacturing company based in Aldergrove, British Columbia.

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

	Amount *(000’s)*
Shares issued	$ 2,330
Assumption of debt	1,318
Total consideration	$ 3,648

The acquisition was accounted using the acquisition method on April 16, 2018, whereby the assets acquired and the liabilities assumed were recorded at their fair values with the surplus of the aggregate consideration relative to the fair value of the identifiable net assets recorded as goodwill. The Corporation assessed the fair values of the net assets acquired based on management’s best estimate of the market value, which included the condition of the assets acquired, current industry conditions and the discounted future cash flows expected to be received from the assets as well as the amount it was expected to cost to settle the outstanding liabilities.

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

	Amount *(000’s)*
Net working capital	$ (1,810)
Property, plant and equipment	339
Deferred tax asset	2,566
Total net identifiable assets acquired	$ 1,095
Goodwill	2,553
Total consideration	$ 3,648

The allocations and determinations of the consideration described above are preliminary and subject to changes upon final adjustments.

The goodwill arises as a result of the synergies expected to be achieved as a result of combining Shelter with the rest of the Corporation. None of the goodwill recognized is expected to be deductible for income tax purposes. There are no identified intangible assets acquired.

From the date of acquisition to June 30, 2018, Shelter contributed $1,118,000 of revenue and $219,000 of earnings before tax to the Corporation. If the business combination had been completed on January 1, 2018, the revenue and loss before income tax for the six month period ending June 30, 2018 would have been $3,003,000 and $283,000 respectively.

The Corporation incurred costs related to the acquisition of Shelter of $235,000 relating to share issuance, due diligence and external advisory fees. The cost related to the share issuance totaling $48,000 were included in share capital on the balance sheet. The costs related to the due diligence and external advisory fees totaling $187,000 were included in selling & administrative expenses on the consolidated statement of comprehensive (loss) income.

5. Property, Plant and Equipment

Cost (000's)	Balance December 31, 2017	Additions	Disposals	Addition from Business Combination	Impact of Foreign Translation	Balance June 30, 2018
Camp facilities, setup & installation	$ 416,034	$ 19,034	$ (9,483)	$ -	$ -	$ 425,585
Land & buildings	63,001	1,748	(58)	241	-	64,932
Automotive & trucking equipment	44,315	475	(921)	36	-	43,905
Mats	20,203	5,347	(2,063)	-	-	23,487
Furniture, fixtures & other equipment	6,211	136	(591)	62	-	5,818
Asset retirement obligations	14,321	2,926	(1,585)	-	-	15,662
Assets under construction	2,100	(1,004)	-	-	-	1,096
	$ 566,185	$ 28,662	$ (14,701)	$ 339	$ -	$ 580,485

Accumulated Depreciation (000's)	Balance December 31, 2017	Depreciation	Disposals	Impact of Foreign Translation	Balance June 30, 2018
Camp facilities, setup & installation	$ 160,046	$ 12,170	$ (4,614)	$ -	$ 167,602
Land & buildings	12,274	1,162	(58)	-	13,378
Automotive & trucking equipment	30,647	2,242	(707)	-	32,182
Mats	13,653	1,839	(1,323)	-	14,169
Furniture, fixtures & other equipment	4,616	330	(473)	-	4,473
Asset retirement obligations	6,827	2,003	(1,585)	-	7,245
Assets under construction	-	-	-	-	-
	$ 228,063	$ 19,746	$ (8,760)	$ -	$ 239,049

Carrying Amounts (000's)	Balance December 31, 2017	Balance June 30, 2018
Camp facilities, setup & installation	$ 255,988	$ 257,983
Land & buildings	50,727	51,554
Automotive & trucking equipment	13,668	11,723
Mats	6,550	9,318
Furniture, fixtures & other equipment	1,595	1,345
Asset retirement obligations	7,494	8,417
Assets under construction	2,100	1,096
	$ 338,122	$ 341,436

On January 8, 2018 the Corporation purchased a 288 person Camp Facility south of Fort McMurray, Alberta for an aggregate purchase price of $14,000,000 including the issuance of 665,779 common shares of the Corporation with a fair value of $1.50 per share for total compensation of $1,000,000.

During the second quarter of 2018 and set out in Note 4, the Corporation acquired assets in the Shelter Modular Inc. business combination as at the acquisition date of April 16, 2018 with a net book value of $339,000.

5. Property, Plant and Equipment (continued)

Cost (000's)	Balance December 31, 2016	Additions	Disposals	Additions from business combinations	Impact of Foreign Translation	Balance June 30, 2017
Camp facilities, setup & installation	$ 456,452	$ 289	$ (30,654)	$ -	$ (3)	$ 426,084
Land & buildings	62,341	1,529	-	-	-	63,870
Automotive & trucking equipment	44,255	329	(3,141)	-	-	41,443
Mats	19,954	5,148	(3,052)	-	-	22,050
Furniture, fixtures & other equipment	8,293	(642)	(24)	-	-	7,627
Asset retirement obligations	12,692	368	-	-	-	13,060
Assets under construction	1,452	3,236	-	-	-	4,688
	$ 605,439	$ 10,257	$ (36,871)	$ -	$ (3)	$ 578,822

Accumulated Depreciation (000's)	Balance December 31, 2016	Depreciation	Disposals		Impact of Foreign Translation	Balance June 30, 2017
Camp facilities, setup & installation	$ 157,197	$ 15,132	$ (15,903)	$	$ (2)	$ 156,424
Land & buildings	12,590	397	-		-	12,987
Automotive & trucking equipment	29,683	2,260	(2,632)		-	29,311
Mats	13,309	2,176	(1,958)		-	13,527
Furniture, fixtures & other equipment	4,997	711	(17)		-	5,691
Asset retirement obligations	4,892	944	-		-	5,836
Assets under construction	-	-	-		-	-
	$ 222,668	$ 21,620	$ (20,510)	$	$ (2)	$ 223,776

Carrying Amounts (000's)	Balance December 31, 2016	Balance June 30, 2017
Camp facilities, setup & installation	$ 299,255	$ 269,660
Land & buildings	49,751	50,883
Automotive & trucking equipment	14,572	12,132
Mats	6,645	8,523
Furniture, fixtures & other equipment	3,296	1,936
Asset retirement obligations	7,800	7,224
Assets under construction	1,452	4,688
	$ 382,771	$ 355,046

6. Loans and Borrowings

(000's)		June 30, 2018		December 31, 2017
Committed credit facility	$	32,588	$	73,016

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

On March 27, 2018, the Corporation amended the committed credit facility ("credit facility") extending the maturity date to September 30, 2020. The credit facility has an available limit of $150,000,000 and is secured with a $400,000,000 first fixed and floating charge debenture over all assets of the Corporation and its wholly owned subsidiaries. The interest rate is calculated on a grid pricing structure based on the Corporation's debt to EBITDAS ratio. Debt to EBITDAS is calculated as at the most recently completed calendar quarter and for the 12 months ended on such date. Amounts drawn on the credit facility incur interest at bank prime rate plus 0.50% to 2.25% or the Bankers' Acceptance rate plus 1.50% to 3.25%. The credit facility has a standby fee ranging from 0.34% to 0.73%. The credit facility is subject to the following financial covenants:

Debt Covenants	Covenants Calculation June 30, 2018
Maximum Consolidated Senior debt [1] to Consolidated Adjusted EBITDAS ratio [3][4] (must be 3.25:1.00 or less)	1.33:1.00
Maximum Consolidated Total debt [2] to Consolidated Adjusted EBITDAS ratio [3][5] (must be 4.25:1.00 or less)	1.37:1.00
Minimum Consolidated Interest coverage ratio[6] (must be 3.00:1.00 or more)	6.90:1.00

(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, share based compensation, impairment, gain/loss on disposal of property, plant and equipment, and earnings from equity investments) is not a recognized measure under IFRS. Management believes that in addition to total profit and total comprehensive income, EBITDAS is a useful supplemental earnings measure as it provides an indication of the Corporation's operating performance 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 Adjusted EBITDAS to 12 months trailing interest expense on loans and borrowings.

As at June 30, 2018, the Corporation was in compliance with all financial and non-financial covenants related to the Credit Facility.

7. Income Taxes

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

	Three months ended June 30,				Six months ended June 30,			
(000's)		2018		2017		2018		2017
Loss before tax	$	(4,724)	$	(3,454)	$	(12,529)	$	3,959
Combined federal and provincial income tax rate		27.0%		27.0%		27.0%		27.0%
Expected income tax recovery	$	(1,276)	$	(933)	$	(3,383)	$	1,069
Non-deductible share based compensation		(54)		47		118		145
Differences in jurisdictional tax rates		(1)		29		(56)		(142)
Share issuance costs		(77)		-		(65)		10
Deferred taxes not recognized		36		182		258		454
Rate differential on non-capital loss carryback		-		48		-		123
Non-taxable portion of capital gain		-		28		-		(6)
Other		38		94		51		115
	$	(1,334)	$	(505)	$	(3,077)	$	1,768

8. Revenue

The nature and effect of initially applying IFRS 15 on the Corporation's condensed consolidated interim financial statements are disclosed in Note 3. The Corporation recognizes revenue from the following major products and services:

Type of Product or Service Line	Accounting policy
Camp Rental and Catering revenue	Customer obtains control of the goods or services over time
Construction contract revenue	Customer obtains control of the goods or services over time
Rendering of services	Customer obtains control of the goods or services over time
Sale of used fleet	Customer obtains control of the goods or services at a point in time
Sale of other goods	Customer obtains control of the goods or services at a point in time

(a) Disaggregation of revenue

In the following table, revenue is disaggregated by major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Corporations' reportable segments.

Three months ended June 30, 2018 (000's)	Camps & Catering	Rentals & Logistics	Modular Solutions	Inter-segment Eliminations	Total
Products & Service Lines					
Camp Rental and Catering revenue	$ 47,025	$ -	$ -	$ -	$ 47,025
Construction contract revenue	-	-	31,984	-	31,984
Rendering of services	4,109	9,436	-	(54)	13,491
Sale of used fleet	1,492	890	-	(1,515)	867
Sale of other goods	-	236	-	-	236
	$ 52,626	$ 10,562	$ 31,984	$ (1,569)	$ 93,603
Timing of Revenue Recognition					
Products and services transferred over time	$ 51,134	$ 9,436	$ 31,984	$ (54)	$ 92,500
Products and services transferred at a point in time	1,492	1,126	-	(1,515)	1,103
	$ 52,626	$ 10,562	$ 31,984	$ (1,569)	$ 93,603

Three months ended June 30, 2017 (000's)	Camps & Catering	Rentals & Logistics	Modular Solutions	Inter-segment Eliminations	Total
Products & Service Lines					
Camp Rental and Catering revenue	$ 40,297	$ -	$ -	$ -	$ 40,297
Construction contract revenue	-	-	7,007	-	7,007
Rendering of services	7,705	11,696	-	(16)	19,385
Sale of used fleet	20,563	213	-	-	20,776
Sale of other goods	173	4,009	-	-	4,182
	$ 68,738	$ 15,918	$ 7,007	$ (16)	$ 91,647
Timing of Revenue Recognition					
Products and services transferred over time	$ 48,002	$ 11,696	$ 7,007	$ (16)	$ 66,689
Products and services transferred at a point in time	20,736	4,222	-	-	24,958
	$ 68,738	$ 15,918	$ 7,007	$ (16)	$ 91,647

8. Revenue (continued)

(a) Disaggregation of revenue (continued)

Six months ended June 30, 2018 (000's)	Camps & Catering	Rentals & Logistics	Modular Solutions	Inter-segment Eliminations	Total
Products & Service Lines					
Camp Rental and Catering revenue	$ 92,955	$ -	$ -	$	$ 92,955
Construction contract revenue	-	-	54,509	-	54,509
Rendering of services	7,388	17,481	-	(82)	24,787
Sale of used fleet	3,832	1,339	-	(1,515)	3,656
Sale of other goods	-	271	-		271
	$ 104,175	$ 19,091	$ 54,509	$ (1,597)	$ 176,178
Timing of Revenue Recognition					
Products and services transferred over time	$ 100,343	$ 17,481	$ 54,509	$ (82)	$ 172,251
Products and services transferred at a point in time	3,832	1,610	-	(1,515)	3,927
	$ 104,175	$ 19,091	$ 54,509	$ (1,597)	$ 176,178

Six months ended June 30, 2017 (000's)	Camps & Catering	Rentals & Logistics	Modular Solutions	Inter-segment Eliminations	Total
Products & Service Lines					
Camp Rental and Catering revenue	$ 89,790	$ -	$ -	$ -	$ 89,790
Construction contract revenue	-	-	16,232	-	16,232
Rendering of services	7,705	20,947	-	(16)	28,636
Sale of used fleet	20,645	2,650	-	-	23,295
Sale of other goods	173	4,009	-		4,182
	$ 118,313	$ 27,606	$ 16,232	$ (16)	$ 162,135
Timing of Revenue Recognition					
Products and services transferred over time	$ 97,495	$ 20,947	$ 16,232	$ (16)	$ 134,658
Products and services transferred at a point in time	20,818	6,659	-	-	27,477
	$ 118,313	$ 27,606	$ 16,232	$ (16)	$ 162,135

(b) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

(000's)	June 30, 2018	January 1, 2018
Receivables, which are included in trade and other accounts receivables	$ 58,690	$ 89,070
Contract assets, which are included in trade and other accounts receivables	30,506	9,695
Contract liabilities, which are included in deferred revenue	8,309	7,008

The contract assets relate to the Corporation's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Corporation issues an invoice to the customer. The contract liabilities relate to the advance consideration received from customers for which revenue is recognized over time.

The amount of $6,918,000 recognized in contact liabilities at the beginning of the period has been recognized as revenue for the three months ended June 30, 2018.

9. Share Capital

(a) Authorized

Unlimited number of voting common shares without nominal or par value.
Unlimited number of preferred shares issuable in series.

(b) Issued

	Number		Amount *(000's)*
Balance at June 30, 2017	144,647,006	$	286,712
Share options exercised	28,333		42
Balance at December 31, 2017	144,675,339	$	286,754
Share options exercised	71,000		153
Bought-deal equity financing	17,857,200		50,000
Common shares issued	1,648,783		3,330
Share issue costs, net of tax of $0.7M	-		(1,768)
Balance at June 30, 2018	164,252,322	$	338,469

On January 18, 2018, the Corporation acquired Moose Haven Lodge for an aggregate purchase price of $14,000,000 including the issuance of 665,779 common shares of the Corporation with a fair value of $1.50 per share for total compensation of $1,000,000.

On April 16, 2018, the Corporation acquired 100% of the issued and outstanding shares of Shelter Modular Inc. for an aggregate purchase price of $3,648,000 including the issuance of 983,004 common shares of the Corporation (Note 4).

On June 25, 2018, the Corporation closed a bought deal equity financing agreement with a syndicate of underwriters that purchased 17,857,200 common shares of the Corporation for resale to the public, including overallotment, at a price of $2.80 per common share for gross proceeds of $50,000,160. In connection with the offering, the Corporation incurred approximately $2,365,000 in transaction costs which included $2,250,000 in agent fees. Total transaction costs, net of tax, were applied against the proceeds in share capital during the six months ended June 30, 2018.

(c) Share option plan

The Corporation has a share option plan for its directors, officers, and key employees whereby options may be granted, to a maximum of 10% of the issued and outstanding common shares, subject to terms and conditions. Share option vesting privileges are at the discretion of the Board of Directors and were set at three years. The Corporation uses graded vesting for share options over the period in which the option vests. All share options are equity settled with a weighted average remaining contractual life of 2.9 years and all options granted have a maximum term of 5 years.

9. Share Capital (continued)

(c) Share option plan (continued)

	Six months ended June 30, 2018		Year ended December 31, 2017	
	Outstanding options	Weighted average exercise price	Outstanding options	Weighted average exercise price
Balance, beginning of period	8,342,385	$ 2.97	8,385,737	$ 4.15
Granted	1,761,707	2.53	2,633,000	1.46
Forfeited	(388,350)	3.42	(1,012,614)	3.69
Expired	(199,000)	6.61	(1,610,405)	6.28
Exercised	(71,000)	1.77	(53,333)	1.16
Balance, end of period	9,445,742	$ 2.80	8,342,385	$ 2.97

	Six months ended June 30, 2018		Year ended December 31, 2017	
	Exercisable options	Weighted average exercise price	Exercisable options	Weighted average exercise price
Balance, beginning of period	4,029,525	$ 4.43	4,168,595	$ 5.71
Vested	2,032,689	1.79	1,995,285	3.31
Forfeited	(308,349)	3.91	(470,617)	5.10
Expired	(199,000)	6.61	(1,610,405)	6.28
Exercised	(71,000)	1.77	(53,333)	1.16
Balance, end of period	5,483,865	$ 3.43	4,029,525	$ 4.43

The exercise prices for options outstanding and exercisable at June 30, 2018 are as follows:

	Total options outstanding			Exercisable options	
Exercise price per share	Number	Weighted average exercise price per share	Weighted average remaining contractual life in years	Number	Weighted average exercise price per share
$1.16 to $1.37	1,214,500	$ 1.17	2.8	743,332	$ 1.16
$1.38 to $1.53	2,233,500	1.47	3.9	714,498	1.47
$1.54 to $2.09	854,707	1.83	4.1	120,000	1.78
$2.10 to $2.56	2,357,500	2.30	1.6	2,357,500	2.30
$2.57 to $9.01	2,785,535	5.30	2.7	1,548,535	7.28
	9,445,742	$ 2.80	2.9	5,483,865	$ 3.43

9. Share Capital (continued)

(c) Share option plan (continued)

The Corporation calculated the fair value of the share options granted using the Black-Scholes pricing model to estimate the fair value of the share options issued at the date of grant. The weighted average fair market value of all options granted during the six months ended June 30, 2018 and the assumptions used in their determination are as follows:

	June 30, 2018
Fair value per option	$ 0.82
Forfeiture rate	9.25%
Grant price	$ 2.53
Expected life	3.0 years
Risk free interest rate	1.94%
Dividend yield rate	3.13%
Volatility	55.14%

Expected volatility is estimated by considering historic average share price volatility. For the three and six months ended June 30, 2018, share based compensation for share options included in net loss amounted to $223,000 and $436,000 (June 2017 - $151,000 and $301,000).

(d) Restricted share unit plan

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

The following table summarizes the RSUs outstanding:

	Number
Units outstanding at December 31, 2017	1,811,207
Granted	1,031,950
Forfeited	(88,737)
Exercised	(721,283)
Units outstanding at June 30, 2018	2,033,137

The following table summarizes the RSUs fair value per unit at the time of issuance and as at June 30, 2018:

	Units Issued	Fair Value at Grant Date ($ per unit)	Fair Value at June 30, 2018 ($ per unit)
Opening balance	1,811,207		2.63
Issued on March 15, 2018	228,426	1.97	2.63
Issued on March 26, 2018	21,900	2.15	2.63
Issued on April 17, 2018	15,021	2.40	2.63
Issued on June 1, 2018	766,603	2.98	2.63

As at June 30, 2018, a recovery of $495,000 (2017 - $455,000) was included in accounts payable and accrued liabilities for outstanding RSUs. For the three and six months ended June 30, 2018, share based compensation for RSUs included in net loss amounted to $377,000 and $801,000 respectively (June 2017 - $25,000 and 237,000), with a weighted average remaining term of 1.6 years.

10. Earnings Per Share

The calculation of basic earnings per share for the three and six months ended June 30, 2018 was based on the total (loss) profit attributable to common shareholders of ($3,390,000) and ($9,452,000) respectively (June 30, 2017 – ($2,949,000) and $2,191,000).

A summary of the common shares used in calculating earnings per share is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Number of common shares, beginning of period	145,341,118	144,622,006	144,675,339	144,622,006
Weighted average effect of common shares issued	1,828,157	12,637	1,518,698	6,354
Weighted average common shares outstanding – basic	147,169,275	144,634,643	146,194,037	144,628,360
Effect of share purchase options[(1)]	-	-	-	359,469
Weighted average common shares outstanding – diluted	147,169,275	144,634,643	146,194,037	144,987,829

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

For the three and six months ended June 30, 2018, 4,516,426 and 9,445,742 share options, respectively (June 30, 2017 – 7,721,097 and 7,484,426) were excluded from the calculation of weighted average common shares outstanding - diluted as the result would be anti-dilutive.

11. Dividends

For the three and six months ended June 30, 2018, the Corporation paid dividends totaling $2,907,000 and $5,801,000 respectively (June 30, 2017 - $2,892,000 and $5,784,000).

(000's except per share amounts)	**2018**		**2017**	
Record Date	Amount per share	Total dividend amount	Amount per share	Total dividend amount
March 31	$ 0.02	$ 2,907	$ 0.02	$ 2,892
June 30	0.02	3,285	0.02	2,893
September 30			0.02	2,894
December 31			0.02	2,894
	$ 0.04	$ 6,192	$ 0.08	$ 11,573

On August 2, 2018, the Corporation's Board of Directors declared a dividend for the third quarter of 2018 at $0.02 per share. The dividend is payable to shareholders of record at the close of business on September 30, 2018 to be paid on October 15, 2018.

12. Operating segments

The Corporation operates in Canada through three operating segments: Camps & Catering, Rentals & Logistics and Modular Solutions.

The Camps & Catering segment combines the camps and catering operations, and the associated services. The Rentals & Logistics segment combines all other rental operations; mat rental operations, relocatable structures rental operations, transportation operations and the associated services. The Modular Solutions segment is comprised of all modular manufacturing and installation operations for commercial and residential end markets. Corporate includes the costs of head office administration, interest costs, taxes, other corporate costs and residual assets and liabilities.

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

Three months ended June 30, 2018 (000's)	Camps & Catering	Rentals & Logistics	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	$ 52,626	$ 10,562	$ 31,984	$ -	$ (1,569)	$ 93,603
EBITDAS(1)	6,803	3,177	282	(3,376)	-	6,886
Depreciation and amortization	7,494	2,479	349	121	-	10,443
(Gain) loss on disposal of assets	(445)	82	6	-	-	(357)
Share based compensation	74	34	49	443	-	600
Operating (loss) earnings	(320)	582	(122)	(3,940)	-	(3,800)
Total assets	337,534	59,297	70,758	6,043	-	473,632
Capital expenditures	2,638	2,698	557	81	-	5,974

Three months ended June 30, 2017 (000's)	Camps & Catering	Rentals & Logistics	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	$ 68,738	$ 15,918	$ 7,007	$ -	$ (16)	$ 91,647
EBITDAS(1)	13,525	3,253	(5,282)	(2,925)	-	8,571
Depreciation and amortization	7,937	2,539	494	186	(1)	11,155
Gain on disposal of assets	(6)	(250)	(4)	-	-	(260)
Share based compensation	24	(1)	8	145	-	176
Operating earnings (loss)	5,570	965	(5,780)	(3,256)	1	(2,500)
Total assets	369,568	64,104	42,583	10,840	-	487,095
Capital expenditures	4,391	99	270	124	-	4,884

(1) EBITDAS (Earnings before interest, taxes, depreciation, amortization, share based compensation, impairment, gain/loss on disposal of property, plant and equipment, and earnings from equity investments) is not a recognized measure under IFRS. Management believes that in addition to total profit and total comprehensive income, EBITDAS is a useful supplemental earnings measure as it provides an indication of the Corporation's operating performance 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.

12. Operating segments (continued)

Six months ended June 30, 2018 (000's)	Camps & Catering	Rentals & Logistics	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	$ 104,175	$ 19,091	$ 54,509	$ -	$ (1,597)	$ 176,178
EBITDAS(1)	13,828	4,226	12	(6,747)	-	11,319
Depreciation and amortization	15,364	4,860	668	234	(1)	21,125
(Gain) loss on disposal of assets	(419)	214	6	-	-	(199)
Share based compensation	145	55	79	958	-	1,237
Operating (loss) earnings	(1,262)	(903)	(741)	(7,939)	1	(10,844)
Total assets	337,534	59,297	70,758	6,043	-	473,632
Capital expenditures	17,582	6,317	1,044	144	-	25,087

Six months ended June 30, 2017 (000's)	Camps & Catering	Rentals & Logistics	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	$ 118,313	$ 27,606	$ 16,232	$ -	$ (16)	$ 162,135
EBITDAS(1)	26,064	5,712	(9,047)	(5,904)	-	16,825
Depreciation and amortization	16,501	5,129	981	383	(1)	22,993
Gain on disposal of assets	(12,053)	(250)	(4)	-	(52)	(12,359)
Share based compensation	93	2	36	407	-	538
Operating earnings (loss)	21,523	831	(10,060)	(6,694)	53	5,653
Total assets	369,568	64,104	42,583	10,840	-	487,095
Capital expenditures	5,565	3,704	382	238	-	9,889

(1) EBITDAS (Earnings before interest, taxes, depreciation, amortization, share based compensation, impairment, gain/loss on disposal of property, plant and equipment, and earnings from equity investments) is not a recognized measure under IFRS. Management believes that in addition to total profit and total comprehensive income, EBITDAS is a useful supplemental earnings measure as it provides an indication of the Corporation's operating performance 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.

13. Seasonality

Some 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. Modular Solutions segment is not impacted by seasonality.