Condensed Consolidated Interim Financial Statements of

HORIZON NORTH

Three months ended March 31, 2019 and 2018 (Unaudited)

Condensed consolidated statement of financial position (Unaudited)

(000's)	March 31, 2019	December 31, 2018
Assets		
Current assets:		
Trade and other receivables	$ 114,789	$ 102,967
Inventories	7,448	8,782
Prepayments	3,656	4,376
Total current assets	125,893	116,125
Non-current assets:		
Property, plant and equipment (Note 4)	360,140	327,123
Intangible assets	1,127	1,599
Goodwill	24,990	24,792
Other assets	670	2,771
Total non-current assets	386,927	356,285
Total assets	$ 512,820	$ 472,410
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables	$ 60,431	$ 48,113
Deferred revenue	2,443	2,075
Income taxes payable	436	1,217
Current portion of asset retirement obligations	1,393	1,835
Current portion of lease liabilities (Note 5)	4,615	772
Total current liabilities	69,318	54,012
Non-current liabilities:		
Asset retirement obligations	11,690	11,447
Loans and borrowings (Note 6)	34,256	30,894
Lease liabilities (Note 5)	19,817	-
Deferred tax liabilities	40,227	39,314
Total liabilities	175,308	135,667
Shareholders' equity:		
Share capital (Note 9)	338,377	338,377
Contributed surplus	17,512	17,195
Accumulated other comprehensive income	761	761
Retained earnings	(19,138)	(19,590)
Total shareholders' equity	337,512	336,743
Total liabilities and shareholders' equity	$ 512,820	$ 472,410

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

Condensed consolidated statement of comprehensive income (loss) (Unaudited)
Three months ended March 31, 2019 and 2018

(000's except per share amounts)		Three months ended March 31, 2019		2018
Revenue (Note 7)	$	128,745	$	82,575
Operating expenses:				
Direct costs		105,543		72,843
Depreciation (Note 4)		9,930		9,994
Amortization of intangible assets		472		688
Share based compensation (Note 9)		202		122
Loss on disposal of property, plant and equipment		258		158
Direct operating expenses		116,405		83,805
Gross profit (loss)		12,340		(1,230)
Selling & administrative expenses:				
Selling & administrative expenses		5,797		5,299
Share based compensation (Note 9)		215		515
Selling & administrative expenses		6,012		5,814
Operating earnings (loss)		6,328		(7,044)
Finance costs		1,038		828
Earnings from equity investments		-		(67)
Earnings (loss) before tax		5,290		(7,805)
Current tax expense		640		29
Deferred tax expense (recovery)		913		(1,772)
Income tax expense (recovery) (Note 8)		1,553		(1,743)
Total profit (loss)		3,737		(6,062)
Other comprehensive income:				
Translation of foreign operations		-		-
Other comprehensive income, net of income tax		-		-
Total comprehensive income (loss)	$	3,737	$	(6,062)
Earnings (loss) per share:				
Basic and Diluted (Note 10)	$	0.02	$	(0.04)

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, 2017	$ 286,754	$ 16,181	$ 761	$ 1,368	$ 305,064
Total loss	-	-	-	(6,062)	(6,062)
Share based compensation (Note 9)	-	212	-	-	212
Issue of share capital (Note 9)	1,000	-	-	-	1,000
Share issue costs, net of tax (Note 9)	(6)	-	-	-	(6)
Dividends (Note 11)	-	-	-	(2,907)	(2,907)
Balance at March 31, 2018	$ 287,748	$ 16,393	$ 761	$ (7,601)	$ 297,301
Total loss	-	-	-	(2,134)	(2,134)
Share based compensation (Note 9)	-	835	-	-	835
Share options exercised (Note 9)	181	(33)	-	-	148
Issue of share capital (Note 9)	52,330	-	-	-	52,330
Share issue costs, net of tax (Note 9)	(1,882)	-	-	-	(1,882)
Dividends (Note 11)	-	-	-	(9,855)	(9,855)
Balance at December 31, 2018	$ 338,377	$ 17,195	$ 761	$ (19,590)	$ 336,743
Total profit	-	-	-	3,737	3,737
Share based compensation (Note 9)	-	317	-	-	317
Dividends (Note 11)	-	-	-	(3,285)	(3,285)
Balance at March 31, 2019	$ 338,377	$ 17,512	$ 761	$ (19,138)	$ 337,512

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

Condensed consolidated statement of cash flows (Unaudited)
Three months ended March 31, 2019 and 2018

(000's)	March 31, 2019	March 31, 2018
Cash provided by (used in):		
Operating activities:		
Earnings (loss) for the period	$ 3,737	$ (6,062)
Adjustments for:		
Depreciation (Note 4)	9,930	9,994
Amortization of intangible assets	472	688
Share based compensation (Note 9)	417	637
Amortization of other assets	256	32
Loss on disposal of property, plant and equipment	258	158
Book value of used fleet sales	2,203	140
Finance costs	1,038	828
Income tax expense (recovery) (Note 8)	1,553	(1,743)
Asset retirement obligation settled	(445)	(1,501)
Income taxes (paid) received	(1,421)	13
Interest paid	(447)	(923)
Funds flow	17,551	2,261
Changes in non-cash working capital items	(318)	3,666
Net cash flows from operating activities	17,233	5,927
Investing activities:		
Purchase of property, plant and equipment (Note 4)	(15,197)	(16,328)
Proceeds on disposal of property, plant and equipment	93	2,791
Net cash flows used in investing activities	(15,104)	(13,537)
Financing activities:		
Shares issued, net of share issue costs (Note 9)	-	(8)
Lease liabilities	(2,206)	(1,011)
Proceeds from loans and borrowings	3,362	11,523
Payment of dividends (Note 11)	(3,285)	(2,894)
Net cash flows used in financing activities	(2,129)	7,610
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 corporation, 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-month period ended March 31, 2019 comprise of 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. The Industrial Services business includes workforce accommodations, camp management services, access solutions, maintenance and utilities. The Corporation's Modular Solutions business 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.

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, 2018, except as described in Note 3. 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 May 2, 2019.

(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, 2018.

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, 2018. 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, 2018.

(a) Changes in significant accounting policies

(i) Adoption of IFRS 16 - Leases

Effective January 1, 2019, the Corporation adopted IFRS 16 in its financial statements. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

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

(a) Changes in significant accounting policies (continued)

(i) Adoption of IFRS 16 – Leases (continued)

The Corporation has applied IFRS 16 using the modified retrospective method and therefore the comparative information has not been restated and continues to be reported under IAS 17. The details of accounting policies under IAS 17 are disclosed separately if they are different from those under IFRS 16 and the impact of changes are disclosed in Note 3(b).

The modified retrospective method resulted in a one-time adjustment of a $26.6 million addition of right-of-use assets, offset by an existing $2.0 million prepaid land lease, included in other assets, and $24.6 million in lease liabilities with no changes in retained earnings on January 1, 2019.

Statement of Financial Postion lease recognition January 1, 2019 (000's)		**IAS 17**	**IFRS 16**	**Change**
Right-of-use Asset	$	1,016 $	27,626 $	26,610
Prepaid land lease		2,042	-	(2,042)
Lease Liabilities		772	25,340	24,568

(b) Update to significant Accounting Policies

(i) Leases

Policy applicable from January 1, 2019

At inception of a contract, the Corporation assesses whether such a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Corporation has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Corporation has the right to direct the use of the asset. The Corporation has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Corporation has the right to direct the use of the asset if either:
    - The Corporation has the right to operate the asset; or
    - The Corporation designed the asset in a way that predetermined how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. A right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying assets or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment.

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

(b) Update to significant Accounting Policies (continued)

(i) Leases (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate.

The lease lability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in a rate, if there is a change in the Corporation's estimate or the amount expected to be payable under the residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination period.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of comprehensive income (loss) if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation presents right-of-use assets in property, plant and equipment and lease liabilities in finance lease liabilities in the statement of financial position.

The Corporation has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have an expected lease term of 12 months or less and leases of low-value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

When the Corporation acts as a lessor, it determines at inception whether each lease is a finance lease or an operating lease.

The Corporation makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incremental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Corporation considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If the contract contains lease and non-lease components, the Corporation applies IFRS 15 to allocate the consideration in the contract.

The accounting policies applicable to the Corporation as a lessor in the comparative periods were not different from IFRS 16.

4. Property, Plant and Equipment

Cost (000's)	Balance December 31, 2018	Additions	Disposals	Impact of IFRS 16 Adpotion	Balance March 31, 2019
Camp facilities, setup & installation	$ 411,047	$ 1,401	$ (992)	$ 1,126	$ 412,582
Land & buildings	59,496	393	-	25,226	85,115
Automotive & trucking equipment	43,837	1,125	(1,249)	206	43,919
Mats	24,235	3,360	(5,443)	-	22,152
Furniture, fixtures & other equipment	6,481	69	(25)	52	6,577
Asset retirement obligations	14,582	185	-	-	14,767
Assets under construction	655	12,237	-	-	12,892
	$ 560,333	$ 18,770	$ (7,709)	$ 26,610	$ 598,004

Accumulated Depreciation (000's)	Balance December 31, 2018	Depreciation	Disposals	Balance March 31, 2019
Camp facilities, setup & installation	$ 161,975	$ 5,737	$ (666)	$ 167,046
Land & buildings	13,012	1,584	-	14,596
Automotive & trucking equipment	31,984	1,003	(1,184)	31,803
Mats	14,848	962	(3,401)	12,409
Furniture, fixtures & other equipment	4,590	197	(25)	4,762
Asset retirement obligations	6,801	447	-	7,248
Assets under construction	-	-	-	-
	$ 233,210	$ 9,930	$ (5,276)	$ 237,864

Carrying Amounts (000's)	Balance December 31, 2018	Balance March 31, 2019
Camp facilities, setup & installation	$ 249,072	$ 245,536
Land & buildings	46,484	70,519
Automotive & trucking equipment	11,853	12,116
Mats	9,387	9,743
Furniture, fixtures & other equipment	1,891	1,815
Asset retirement obligations	7,781	7,519
Assets under construction	655	12,892
	$ 327,123	$ 360,140

Property, plant and equipment is comprised of owned and leased assets. The Corporation leases assets including camp facilities, setup & installation, land & building, automotive & trucking equipment, and furniture, fixtures & other equipment.

4. Property, Plant and Equipment (continued)

Cost *(000's)*	Balance December 31, 2017	Additions	Disposals	Balance March 31, 2018
Camp facilities, setup & installation	$ 416,034	$ 16,822	$ (7,305)	$ 425,551
Land & buildings	63,001	1,423	-	64,424
Automotive & trucking equipment	44,315	67	(46)	44,336
Mats	20,203	3,026	(647)	22,582
Furniture, fixtures & other equipment	6,211	(141)	(71)	5,999
Asset retirement obligations	14,321	2,774	-	17,095
Assets under construction	2,100	(1,095)	-	1,005
	$ 566,185	$ 22,876	$ (8,069)	$ 580,992

Accumulated Depreciation *(000's)*	Balance December 31, 2017	Depreciation	Disposals	Balance March 31, 2018
Camp facilities, setup & installation	$ 160,046	$ 6,260	$ (4,478)	$ 161,828
Land & buildings	12,274	645	-	12,919
Automotive & trucking equipment	30,647	1,114	(46)	31,715
Mats	13,653	861	(455)	14,059
Furniture, fixtures & other equipment	4,616	7	(71)	4,552
Asset retirement obligations	6,827	1,107	-	7,934
Assets under construction	-	-	-	-
	$ 228,063	$ 9,994	$ (5,050)	$ 233,007

Carrying Amounts *(000's)*	Balance December 31, 2017	Balance March 31, 2018
Camp facilities, setup & installation	$ 255,988	$ 263,723
Land & buildings	50,727	51,505
Automotive & trucking equipment	13,668	12,621
Mats	6,550	8,523
Furniture, fixtures & other equipment	1,595	1,447
Asset retirement obligations	7,494	9,161
Assets under construction	2,100	1,005
	$ 338,122	$ 347,985

5. Leases

(a) As a lessee

(i) Right-of-use asset

Cost *(000's)*		Balance December 31, 2018		Additions		Disposals		Impact of IFRS 16 Adpotion		Balance March 31, 2019
Camp facilities, setup & installation	$	988	$	-	$	-	$	1,126	$	2,114
Land & buildings		-		-		-		25,226		25,226
Automotive & trucking equipment		90		-		-		206		296
Furniture, fixtures & other equipment		-		28		-		52		80
	$	1,078	$	28	$	-	$	26,610	$	27,716

Accumulated Depreciation *(000's)*		Balance December 31, 2018		Depreciation		Disposals		Balance March 31, 2019
Camp facilities, setup & installation	$	53	$	29	$	-	$	82
Land & buildings		-		1,143		-		1,143
Automotive & trucking equipment		9		33		-		42
Furniture, fixtures & other equipment		-		8		-		8
	$	62	$	1,213	$	-	$	1,275

Carrying Amounts *(000's)*		Balance December 31, 2018		Balance March 31, 2019
Camp facilities, setup & installation	$	935	$	2,032
Land & buildings		-		24,083
Automotive & trucking equipment		81		254
Furniture, fixtures & other equipment		-		72
	$	1,016	$	26,441

(ii) Lease liabilities

Maturity Analysis – contractual undiscounted cash flows		(000's)
Less than one year	$	5,796
One to five years		18,524
More than five years		12,830
Total undiscounted lease payable as at March 31, 2019	$	37,150
Lease liabilities included in the statement of financial position at March 31, 2019	$	24,432
Current		4,615
Non-current		19,817

Total interest on lease liabilities recognized in finance costs were $0.3 million and total operating leases expensed, not included in the measurement of the lease liabilities, was $0.7 million for the three months ended March 31, 2019.

At March 31, 2019, the Corporation has not sub-leased any right-of-use assets, there were no restrictions or covenants imposed by leases that would create a material impact on the financial statements and there were no sale and leaseback transactions.

5. Leases (continued)

(b) As a lessor

The Corporation leases out some of its camp related equipment and has classified these leases as operating leases as they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The Corporation assessed that the revenue generated from these operating leases amounted to $8.0 million for the three months ended March 31, 2019.

6. Loans and Borrowings

(000's)	March 31, 2019	December 31, 2018
Committed credit facility	$ 34,256	$ 30,894

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

On March 27, 2018, the Corporation amended its committed credit facility ("Credit Facility") extending the maturity date to September 30, 2020. The Credit Facility has an available limit of $150.0 million and is secured with 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 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 March 31, 2019
Maximum Consolidated Senior debt (1) to Consolidated Adjusted EBITDAS ratio (3)(4) (must be 3.00:1.00 or less)	0.69:1.00
Maximum Consolidated Total debt (2) to Consolidated Adjusted EBITDAS ratio (3)(5) (must be 4.25:1.00 or less)	0.71:1.00
Minimum Consolidated Interest coverage ratio(6) (must be 3.00:1.00 or more)	19.49:1.00

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

The liabilities resulting from the adoption of IFRS 16 – Leases are not included in the calculation of Total Loans and Borrowings as defined in the Credit Facility agreement. Until such time as an amendment is undertaken, Total Loans and Borrowing will continue to be calculated as the sum of current and long-term portions of loans and borrowings plus the vehicle and equipment financing that were recognized prior to the adoption of the new standard.

As at March 31, 2019, the Corporation was in compliance with all financial and non-financial covenants related to the Credit Facility.

7. Revenue

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 March 31, 2019 (000's)		Camps & Catering		Rentals & Logistics		Modular Solutions		Inter-segment Eliminations		Total
Products & Service Lines										
Camp Rental and Catering revenue	$	65,286	$	-	$	-	$	-	$	65,286
Construction contract revenue		-		-		45,747		-		45,747
Rendering of services		4,410		9,042		-		-		13,452
Sale of used fleet		256		3,438		-		(90)		3,604
Sale of other goods		-		656		-		-		656
	$	69,952	$	13,136	$	45,747	$	(90)	$	128,745
Timing of Revenue Recognition										
Products and services transferred over time	$	69,696	$	9,042	$	45,747	$	-	$	124,485
Products and services transferred at a point in time		256		4,094		-		(90)		4,260
	$	69,952	$	13,136	$	45,747	$	(90)	$	128,745

Three months ended March 31, 2018 (000's)		Camps & Catering		Rentals & Logistics		Modular Solutions		Inter-segment Eliminations		Total
Products & Service Lines										
Camp Rental and Catering revenue	$	45,930	$	-	$	-	$	-	$	45,930
Construction contract revenue		-		-		22,525		-		22,525
Rendering of services		3,279		8,045		-		(28)		11,296
Sale of used fleet		2,340		449		-		-		2,789
Sale of other goods		-		35		-		-		35
	$	51,549	$	8,529	$	22,525	$	(28)	$	82,575
Timing of Revenue Recognition										
Products and services transferred over time	$	49,209	$	8,045	$	22,525	$	(28)	$	79,751
Products and services transferred at a point in time		2,340		484		-		-		2,824
	$	51,549	$	8,529	$	22,525	$	(28)	$	82,575

8. 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 March 31,	
(000's)	2019	2017
Income (loss) before tax	$ 5,290	$ (7,805)
Combined federal and provincial income tax rate	27.0%	27.0%
Expected income tax expense (recovery)	$ 1,428	$ (2,107)
Non-deductible share based compensation	86	172
Differences in jurisdictional tax rates	(1)	(55)
Share issuance costs	-	12
Deferred taxes not recognized	27	222
Non-taxable portion of capital gain	(5)	-
Non-deductible and other	18	13
	$ 1,553	$ (1,743)

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 March 31, 2018	145,341,118	$ 287,748
Share options exercised	87,666	181
Bought-deal equity financing	17,857,200	50,000
Common shares issued	983,004	2,330
Share issue costs, net of tax of $0.7 million	-	(1,882)
Balance at December 31, 2018 and March 31, 2019	164,268,988	$ 338,377

(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 2.2 years and all options granted have a maximum term of 5 years.

9. Share Capital (continued)

(c) Share option plan (continued)

	Three months ended March 31, 2019			Year ended December 31, 2018		
	Outstanding options		Weighted average exercise price	Outstanding options		Weighted average exercise price
Balance, beginning of period	9,758,076	$	2.78	8,342,385	$	2.97
Granted	30,000		1.95	2,115,707		2.53
Forfeited	(145,150)		5.20	(388,350)		3.42
Expired	-		-	(224,000)		6.73
Exercised	-		-	(87,666)		1.68
Balance, end of period	9,642,926	$	2.74	9,758,076	$	2.78

	Three months ended March 31, 2019			Year ended December 31, 2018		
	Exercisable options		Weighted average exercise price	Exercisable options		Weighted average exercise price
Balance, beginning of period	5,575,365	$	3.38	4,029,525	$	4.43
Vested	546,569		1.38	2,165,855		1.78
Forfeited	(145,150)		5.20	(308,349)		3.91
Expired	-		-	(224,000)		6.73
Exercised	-		-	(87,666)		1.68
Balance, end of period	5,976,784	$	3.15	5,575,365	$	3.38

The exercise prices for options outstanding and exercisable at March 31, 2019 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	1,204,500	$	1.17	2.0	1,138,166	$	1.16
$1.38 to $1.53	2,226,834		1.47	3.1	707,832		1.47
$1.54 to $2.40	3,203,207		2.17	1.6	2,686,401		2.23
$2.41 to $3.09	1,564,000		2.76	4.2	-		-
$3.10 to $8.13	1,444,385		7.25	0.3	1,444,385		7.25
	9,642,926	$	2.74	2.2	5,976,784	$	3.15

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 period and the assumptions used in their determination are as follows:

	March 31, 2019
Fair value per option	$ 0.53
Forfeiture rate	8.61%
Grant price	$ 1.95
Expected life	3.0 years
Risk free interest rate	1.65%
Dividend yield rate	4.23%
Volatility	50.11%

Expected volatility is estimated by considering historic average share price volatility. For the three months ended March 31, 2019, share based compensation for share options included in net profit (loss) amounted to $0.3 million (2018 - $0.2 million).

(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, 2018	1,992,614
Granted	6,600
Forfeited	(96,830)
Settled	(15,300)
Units outstanding at March 31, 2019	1,887,084

The following table summarizes the RSUs fair value per unit at the time of issuance and as at March 31, 2019:

	Units Issued	Fair Value at Grant Date ($ per unit)	Fair Value at March 31, 2019 ($ per unit)
Opening balance	1,992,614		1.81
Issued on February 19, 2019	6,600	1.96	1.81

As at March 31, 2019, $0.4 million (2018 - $1.0 million) was included in accounts payable and accrued liabilities for outstanding RSUs. For the three months ended March 31, 2019, share based compensation for RSUs included in operating earnings (loss) amounted to $0.1 million (2018 - $0.4 million), with a weighted average remaining term of 0.6 years.

10. Earnings Per Share

The calculation of basic earnings per share for the three months ended March 31, 2019 was based on the total profit (loss) attributable to common shareholders of $3.7 million (2018 – ($6.1 million)).

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

	Three months ended March 31,	
	2019	2018
Number of common shares, beginning of period	164,268,988	144,675,339
Weighted average effect of common shares issued	-	532,623
Weighted average common shares outstanding – basic	164,268,988	145,207,962
Effect of share purchase options(1)	840,975	-
Weighted average common shares outstanding – diluted	165,109,963	145,207,962

(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 months ended March 31, 2019, 5,831,592 share options (2018 – 8,762,092) were excluded from the calculation of weighted average common shares outstanding - diluted as the result would be anti-dilutive.

11. Dividends

For the three months ended March 31, 2019, the Corporation paid dividends totaling $3.3 million (March 31, 2018 - $2.9 million).

(000's except per share amounts)	**2019**		**2018**	
Record Date	Amount per share	Total dividend amount	Amount per share	Total dividend amount
March 31	$ 0.02	$ 3,285	$ 0.02	$ 2,907
June 30			0.02	3,285
September 30			0.02	3,285
December 31			0.02	3,285
	$ 0.02	$ 3,285	$ 0.08	$ 12,762

On May 2, 2019, the Corporation's Board of Directors declared a dividend for the second quarter of 2019 at $0.02 per share. The dividend is payable to shareholders of record at the close of business on June 30, 2019 to be paid on July 15, 2019.

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 March 31, 2019 (000's)	Camps & Catering	Rentals & Logistics	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	$ 69,952	$ 13,136	$ 45,747	$ -	$ (90)	$ 128,745
EBITDAS[(1)]	12,943	3,489	4,466	(3,403)	(90)	17,405
Depreciation and amortization	6,987	2,452	842	122	(1)	10,402
Loss (gain) on disposal of assets	89	136	43	(10)	-	258
Share based compensation	61	18	50	288	-	417
Operating earnings (loss)	5,806	883	3,531	(3,803)	(89)	6,328
Total assets	371,972	60,125	77,334	3,389	-	512,820
Capital expenditures	21,413	6,957	16,116	799	-	45,285

Three months ended March 31, 2018 (000's)	Camps & Catering	Rentals & Logistics	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	$ 51,549	$ 8,529	$ 22,525	$ -	$ (28)	$ 82,575
EBITDAS[(1)]	7,025	1,049	(270)	(3,371)	-	4,433
Depreciation and amortization	7,870	2,381	319	113	(1)	10,682
Loss on disposal of assets	26	132	-	-	-	158
Share based compensation	71	21	30	515	-	637
Operating (loss) earnings	(942)	(1,485)	(619)	(3,999)	1	(7,044)
Total assets	353,965	59,922	63,245	5,621	-	482,753
Capital expenditures	14,944	3,619	487	63	-	19,113

(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.

14. Subsequent Event

On April 1, 2019, the Corporation acquired 100% of the issued and outstanding shares of NRB Inc. ("NRB") for $16.4 million, payable in a mix of cash consideration, common shares of the Corporation and assumption of existing debt. The Corporation issued 781,250 common shares with a fair value, at the acquisition date, of $1.83 per share for total share consideration of $1.4 million.

NRB is a full-service modular manufacturing company based in Grimsby, Ontario.

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

		Amount *(000's)*
Cash	$	11,811
Shares issued		1,430
Assumption of debt		3,188
Total consideration	$	16,429

The acquisition is being accounted for using the acquisition method on April 1, 2019, 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 continues to assess the fair values of the net assets acquired based on management's best estimate of the market value, which takes into consideration the condition of the assets acquired, current industry conditions and the discounted future cash flows expected to be received from the assets as well as the amount it is expected to cost to settle the outstanding liabilities.

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

		Amount *(000's)*
Net working capital	$	4,725
Property, plant and equipment		1,202
Deferred tax liability		(103)
Total net identifiable assets acquired	$	5,824
Goodwill and intangible assets		10,605
Total consideration	$	16,429

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 NRB with the rest of the Corporation. None of the goodwill recognized is expected to be deductible for income tax purposes. The value of the acquired identified intangible assets has not yet been determined.