This Management's Discussion and Analysis ("MD&A"), prepared as at May 2, 2019, focuses on key statistics from the Condensed Consolidated Interim Financial Statements ("Consolidated Financial Statements") for the three months ended March 31, 2019 ("Q1 2019") and March 31, 2018 ("Q1 2018") 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 business supplies workforce accommodations, camp management services, access solutions, maintenance and utilities. Our 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. 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

- Horizon North achieved Q1 2019 revenue of $128.7 million and EBITDAS of $17.4 million, an increase of $46.2 million and $13.0 million, respectively, when compared to Q1 2018. Total profit also increased $9.8 million, to $3.7 million, when compared with the $6.1 million loss in Q1 2018.
- The Modular Solutions business delivered positive EBITDAS for the fourth consecutive quarter and increased by $4.7 million compared to Q1 2018. Backlog exiting the quarter was $125.3 million, including $32.0 million acquired from NRB, compared to $88.8 million at December 31, 2018. The funnel of high-quality, high probability opportunities also increased, exiting the quarter at $306.0 million compared to $290.0 million at December 31, 2018;
- The Industrial Services business achieved significant improvement in all financial measures with several camp rental and catering projects starting in the quarter, strong matting sales and increased mat rental pricing;
- April 1, 2019 marked the successful completion of the acquisition of NRB Inc. ("NRB"), a significant step in the Corporation's pan-Canadian growth strategy. NRB is a full-service modular manufacturing company based in Grimsby, Ontario, providing Horizon North with manufacturing capacity in the southern Ontario region. Expertise in wood-frame modular structures will expand east, providing solutions for affordable social, student, and senior housing, in addition to Indigenous infrastructure projects, hotels, commercial space and single and multi-family homes. NRB's expertise in steel-frame, non-combustible modular structures will expand west, including facilities for health care, recreation, and education purposes, as well as retail, hospitality and utilities;
- The Corporation has committed to the design and construction of a 120-room, five-story modular Marriott Fairfield Inn & Suites located on the Corporation's Crossroads land parcel in Kitimat, British Columbia, with anticipated completion in late 2019;
- Mobilization and installation of the first phase of the Crossroads open lodge facility in Kitimat, British Columbia continues to move forward. The first 260 beds will be ready for occupancy in mid-Q2 2019, with the facility permitted for up to 1,000 beds. The lodge will provide workforce accommodations to support development in the area, including the LNG Canada project; and
- In April 2019, Horizon North entered into a strategic alliance with Prefab Logic to build the volumetric modular industry, with Prefab Logic providing product design and management services for projects to Horizon North. This agreement will provide Horizon North with opportunities to supply modules for select projects in the United States market strengthening plant utilization and providing initial exposure to significant modular construction demand using wood-frame and steel-frame modular manufacturing in concert with the Corporation's pan-Canadian growth strategy.

Financial Summary

	Three months ended March 31,		
(000's except per share amounts)	2019	2018	% change
Revenue	$ 128,745	$ 82,575	56
EBITDAS(1)	17,405	4,433	293
EBITDAS as a % of revenue	14%	5%	
Operating earnings (loss)	6,328	(7,044)	190
Operating earning (loss) as a % of revenue	5%	(9%)	
Total profit (loss)	3,737	(6,062)	162
Total comprehensive income (loss)	3,737	(6,062)	162
Earnings (loss) per share			
Basic	$ 0.02	$ (0.04)	
Diluted	$ 0.02	$ (0.04)	
Total assets	$ 512,820	$ 482,753	6
Total loans and borrowings	35,081	85,550	(59)
Funds flow	17,551	4,672	276
Net Capital spending	14,769	16,339	(10)
Total Debt to EBITDAS(2)	0.71:1.00	3.26:1.00	
Debt to total capitalization ratio(1)	0.22:1.00	0.22:1.00	
Dividends declared	$ 3,285	$ 2,907	
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 Total Debt to EBITDAS.*

Quarterly Operational Overview

Results for the three months ended March 31, 2019 showed increases across all measures compared to Q1 2018. The increase in revenue for Q1 2019 was across all segments and was driven by project execution and increased manufacturing capacity in the Modular Solutions segment, along with increased camp rental and catering activity in the Camp & Catering segment. Rentals & Logistics segment revenues also increased compared to Q1 2018 due to the large volume of matting sales in Q1 2019.

Industrial Services

Revenues from Industrial Services for Q1 2019 increased compared to Q1 2018 due to higher camp rental and catering activity in the northeast region of British Columbia and the significant increase in mat sales. Camp rental and catering activity levels increased, driven by utilization of 64%, up 18%, and revenue per bed rental day at $103, an increase of 5%, due to several new camps opening in the northeastern British Columbia region. Catering only activity increased 22% in Q1 2019 compared to Q1 2018, with softening revenue per catering only day, lower by 4%, as a result of different contract mix. Rentals & Logistics revenues increased in Q1 2019 compared to Q1 2018 primarily due to an increase in matting sales and strong soil stabilization work.

Modular Solutions

Modular Solutions revenues for Q1 2019 were 103% higher than Q1 2018 as a result of increased capacity to execute the large backlog of projects. The manufacturing capacity available in Q1 2019 increased significantly from Q1 2018 as a result of ramping up direct headcount at the Kamloops, British Columbia facility and the full integration of the Aldergrove, British Columbia facility. In addition, the acquisition of the Rocky View County, Alberta facility in November 2018 allowed for a further ramp up of production into Q1 2019. The increase of throughput capacity facilitated the execution of higher volumes and generated much stronger revenues.

Other Financial Measures

Horizon North's Q1 2019 EBITDAS increased by $13.0 million, or 293%, compared to Q1 2018. As a percentage of revenue, EBITDAS were 14% compared to 5% in Q1 2018. The increase in EBITDAS, compared to Q1 2018, was primarily driven by significantly improved operating results in the Modular Solutions segment, new camp rental and catering projects in the Camp & Catering segment, and significant matting sales in the Rentals & Logistics segment.

Horizon North continued to maintain a strong focus on managing its Statement of Financial Position through monitoring working capital and the capital program. Total Loans and Borrowings, including equipment related finance leases, were $35.1 million at March 31, 2019 compared to $31.7 million at December 31, 2018. As a result of the increased debt and stronger EBITDAS, the total Debt to EBITDAS ratio was 0.71:1.00 at March 31, 2019 compared to 0.86:1.00 at December 31, 2018.

Impact of IFRS 16 - Leases on EBITDAS

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.

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. Under IFRS 16, lease costs are reflected on the statement of comprehensive income (loss) through depreciation and interest expense, resulting in an increase to EBITDAS.

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 and $24.6 million in lease liabilities with no changes in retained earnings on January 1, 2019. During Q1 2019, the Corporation made payments of $1.4 million related to its lease obligations and recorded right of use asset depreciation and lease interest charges of $1.2 million and $0.3 million, respectively. As a result of the new lease standard, EBITDAS was positively impacted by $1.4 million.

Outlook

In 2019, Horizon North will continue to diversify both its portfolio of offerings and customer base through its two operating divisions: Industrial Services and Modular Solutions.

Industrial Services

Horizon North will continue to leverage its reputation as a leading provider of turn-key camp, hospitality, access and maintenance solutions with focus on the following four key areas:

- West Coast/Liquified Natural Gas
    - Horizon North continues the setup of the first phase of development on its 57-acre parcel of land located at the entrance to Kitimat, British Columbia. Horizon North expects to open the first 260 beds of its world-class Crossroads open lodge in Q2 2019 with the facility permitted for up to 1,000 beds to service increasing activity in the region.
    - Pursuant to a Teaming Agreement with Falcon Camp Services Inc., Horizon North has entered into contracts to provide equipment, catering, hospitality and operations services for camps supporting construction work on the Coastal GasLink Project in northern British Columbia. These contracts provide additional exposure to significant construction activity over a 30-month period beginning in June 2019.
- Montney/Duvernay – Activity in this region continued to be strong in Q1 2019 but is expected to face market headwinds for the balance of 2019. Horizon North is the largest provider of open camp services in this area and is a market leader in providing catering and hospitality services in customer-owned facilities. Horizon North will continue to leverage existing assets, strategic locations and relationships while looking to develop additional opportunities to support activity in this region.
- Oil Sands – Horizon North expects to leverage its operational footprint and experience, along with two prominent relationships with Aboriginal communities north and south of Fort McMurray, to pursue both full turn-key opportunities and catering and hospitality opportunities in customer-owned facilities.
- Northern Canada – Horizon North has a long history and expertise in providing hospitality, management and maintenance services across Canada's northern regions. Horizon North will continue to focus on developing and expanding its capabilities and footprint across Canada's highly variable and remote northern regions.

Modular Solutions

Horizon North's focus is to continue to maximize the growth of its backlog and executing on throughput of modular construction projects to drive economies of scale in our facilities. Horizon North will continue to strengthen its product offerings as the mix of product balances between government and commercial projects throughout 2019.

April 1, 2019 marked the successful completion of the acquisition of NRB, a significant step in the Corporation's pan-Canadian growth strategy. NRB is a full-service modular manufacturing company based in Grimsby, Ontario, providing Horizon North with manufacturing capacity in the southern Ontario region. Expertise in wood-frame modular structures will expand east, providing solutions for affordable social, student, and senior housing, in addition to Indigenous infrastructure projects, hotels, commercial space and single and multi-family homes. NRB's expertise in steel-frame, non-combustible modular structures will expand west, including facilities for health care, recreation, and education purposes, as well as retail, hospitality and utilities.

Increased capacity in western Canada from two modular manufacturing facility acquisitions in 2018 and the newly acquired southern Ontario facility, via NRB, have expanded Horizon North's geographic footprint and product mix. These two factors will allow Horizon North to provide our products and services across the country and serve additional regions that have a strong appetite for our unique modular construction and delivery model.

In April 2019, Horizon North entered into a strategic alliance with Prefab Logic to build the volumetric modular industry, with Prefab Logic providing product design and management services for projects to Horizon North. This agreement will provide Horizon North with opportunities to supply modules for select projects in the United States market strengthening plant utilization and providing initial exposure to significant modular construction demand using wood-frame and steel-frame modular manufacturing in concert with the Corporation's pan-Canadian growth strategy.

Statement of Financial Position

In 2019, Horizon North is taking several significant steps in the execution of developing a unique, pan-Canadian service model. These steps include the mobilization of the first 260 beds at our Kitimat Crossroads open lodge, development of a 120 room Marriott Fairfield Inn & Suites in Kitimat, British Columbia, the acquisition of NRB and a robust capital program. The Corporation took several steps in 2018 to significantly reduce its overall debt and leverage positions in preparation for the current year's growth plans. The Corporation anticipates an elevated but manageable leverage position throughout the year with sufficient borrowing capacity and capital flexibility to execute it plans.

Dividend Payment

Horizon North announced today that its Board of Directors has 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. 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

	Three months ended March 31, 2019				
(000's)	Industrial Services	Modular Solutions	Corporate	Eliminations	Total
Revenue	$ 83,088	$ 45,747	$ -	$ (90)	$ 128,745
Expenses					
Direct costs	65,722	39,821	-	-	105,543
Selling & administrative expenses	934	1,460	3,403	-	5,797
EBITDAS	$ 16,432	$ 4,466	$ (3,403)	$ (90)	$ 17,405
EBITDAS as a % of revenue	20%	10%	-	-	14%
Share based compensation	79	50	288	-	417
Depreciation & amortization	9,439	842	122	(1)	10,402
Loss (gain) on disposal of property, plant and equipment	225	43	(10)	-	258
Operating earnings (loss)	$ 6,689	$ 3,531	$ (3,803)	$ (89)	$ 6,328
Finance costs					1,038
Earnings on equity Investments					-
Income tax expense					1,553
Total income					$ 3,737
Other comprehensive income					-
Total comprehensive income					3,737
Earnings per share – basic					$ 0.02
– diluted					$ 0.02

	Three months ended March 31, 2018				
(000's)	Industrial Services	Modular Solutions	Corporate	Eliminations	Total
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) earnings	$ (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 loss					-
Total comprehensive loss					(6,062)
Loss per share – basic					$ (0.04)
– diluted					$ (0.04)

Industrial Services

Industrial Services is comprised of two segments, Camp & Catering and Rentals & Logistics.

	Three months ended March 31,		
(000's)	2019	2018	% change
Camp & Catering	$ 69,952	$ 51,549	36
Rentals & Logistics	13,136	8,529	54
Total revenue	83,088	60,078	38
EBITDAS	$ 16,432	$ 8,074	104
EBITDAS as a % of revenue	20%	13%	
Operating earnings (loss)	$ 6,689	$ (2,427)	376

Camp & Catering Segment

Camp & Catering revenues are comprised of three revenue streams: camp rental and catering revenue 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 revenue.

	Three months ended March 31,		
(000's except for operational metrics)	2019	2018	% change
Camp rental and catering revenue	$ 57,189	$ 38,458	49
Catering only revenue	12,507	10,751	16
Equipment sales revenue	256	2,340	(89)
Total revenue	69,952	51,549	36
EBITDAS	$ 12,943	$ 7,025	84
EBITDAS as a % of revenue	19%	14%	
Operating earnings (loss)	$ 5,806	$ (942)	716
Camp rental and catering revenue			
Bed rental days [(1)]	554,506	391,516	42
Revenue per bed rental day	$ 103	$ 98	5
Rentable beds at period end	9,578	9,528	1
Average rentable beds [(2)]	9,608	9,542	1
Utilization [(3)]	64%	46%	39
Catering only revenue			
Catering only days[(4)]	129,306	106,385	22
Revenue per catering only day	$ 97	$ 101	(4)

(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.

Revenues from the Camp & Catering segment for Q1 2019 were $70.0 million, an increase of $18.4 million or 36% compared to Q1 2018. The increase in Q1 2019 segment revenues was a result of higher camp rental and catering activity primarily from the opening of several camps in the northeastern British Columbia region. EBITDAS for Q1 2019 were $12.9 million, an increase of $5.9 million or 84% compared to Q1 2018. The increase in Q1 2019 segment EBITDAS and EBITDAS as a percentage of revenue was a result of the 36% increase in segment revenues combined with the change in revenue mix between comparative periods, with Q1 2019 having a greater proportion of revenue from higher margin camp rental and catering activity compared to Q1 2018.

Camp rental and catering revenue

Revenues from Camp Rental and Catering operations for Q1 2019 increased by $18.7 million or 49% compared to Q1 2018. The increase in Q1 2019 was driven by a 42% increase in bed rental activity levels and a 5% increase in revenue per rental day related to several new camps becoming operational in the northeastern British Columbia region. As a result of stronger activity levels, utilization of the rental fleet increased to 64% compared to 46% in Q1 2018.

Catering only revenue

Revenues from the provision of catering and housekeeping services, with no associated bed rentals, for Q1 2019 increased by $1.8 million or 16% compared to Q1 2018. The increase was mainly due to the second phase of a significant catering contract in Nunavut beginning operations in late Q4 2018 and the addition of a catering project in the Fort McMurray, Alberta region. Revenue per catering only day decreased by 4% primarily due to the different contract mix between the comparative quarters.

Equipment sales revenue

Equipment sales revenues include new camp construction and used fleet sales. Revenues from equipment sales for Q1 2019 decreased by $2.1 million or 89% compared to Q1 2018. The decrease was primarily due to an opportunity to sell used camp equipment in Q1 2018 which did not occur in Q1 2019. Used equipment sales continues to be a key part of the fleet management strategy to ensure an appropriate 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, service, and other revenue associated with the rentals, sales, and soil stabilization.

	Three months ended March 31,		
(000's except for operational metrics)	2019	2018	% change
Relocatable structures revenue [1]	$ 1,206	$ 1,330	(9)
Mat rental revenue	2,091	1,928	8
Equipment sales revenue	4,094	484	746
Installation, transportation, service, and other revenue	5,745	4,787	20
Total revenue	$ 13,136	$ 8,529	54
EBITDAS	$ 3,489	$ 1,049	233
EBITDAS as a % of revenue	27%	12%	
Operating earnings (loss)	883	(1,485)	159
Relocatable Structures			
Average fleet size	910	1,149	(21)
Fleet end of period	913	1,151	(21)
Rental days [2]	39,828	42,161	(6)
Utilization [3]	49%	41%	20
Mat rental			
Average fleet size [4]	33,014	31,316	5
Fleet end of period [5]	29,360	36,990	(21)
Mat rental days [6]	1,577,869	1,897,267	(17)
Utilization [7]	53%	67%	(21)
Revenue per mat rental day [8]	$ 1.33	$ 1.02	30
Equipment Sales [9]			
Relocatable structures	7	32	(78)
Mats	9,029	360	2,408

(1) Relocatable structures revenue includes rental revenue generated from office, wellsite units, lavatory and mine dry units and complexes as well the associated equipment.
(2) One rental day equals the rental of one unit for one day.
(3) Utilization equals the total number of unit rental days divided by average rentable units in the period.
(4) Average mat rental fleet numbers reflect all owned and third-party mats.
(5) Mats in rental fleet at period end represents the number of owned mats and third-party mats in the Matting fleet.
(6) One mat rental day equals the rental of one mat for one day.
(7) Utilization equals the total number of mat rental days divided by average rentable mats in the period.
(8) Revenue per mat rental day equals mat rentals revenue divided by total mat rental days.
(9) Represents the number of units sold in the period.

Revenues from the Rentals & Logistics segment for Q1 2019 increased by $4.6 million or 54% compared to Q1 2018. The increase was driven by strong mat sales, higher revenue per mat rental day that was offset by the decrease in mat rental activity and stronger soil stabilization activity. EBITDAS for Q1 2019 were $3.5 million, an increase of $2.4 million or 233% compared to Q1 2018. The Q1 2019 EBITDAS as a percentage of revenue were 27%, up from 12% in Q1 2018. The increase in Q1 2019 segment EBITDAS and EBITDAS as a percentage of revenue was a result of a large mat sale in Q1 2019 and the higher mat rental pricing compared to Q1 2018.

Relocatable structures revenue

Relocatable structures revenues include the rental of relocatable structures such as office units, wellsite units, lavatory units, mine dry units and other associated equipment.

Relocatable structures revenues for Q1 2019 decreased $0.1 million or 9% compared to Q1 2018. The decrease in revenue was as a result of stronger utilization on a decreased fleet size, due to a fleet equipment sale in the second half of 2018.

Mat rental revenue

Mat rental revenues for Q1 2019 increased $0.2 million or 8% compared to Q1 2018. The increase in Q1 2019 was driven by stronger revenue per mat rental day of $1.33 compared to $1.02 per mat rental day in Q1 2018. The increase in mat rental rates was a result of a more favourable contract environment and improved demand along the northern British Columbia and Alberta border. Offsetting the increased mat rental rates was a 17% decrease in mat rental days as a result of holding matting inventory to fulfill the significant mat sale in late Q1 2019.

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.

Equipment sales revenues for Q1 2019 increased by $3.6 million or 746% compared to Q1 2018. The increase was driven by significant mat sales in Q1 2019 with 9,029 mats sold compared to 360 in Q1 2018.

Installation, transportation, service, and other revenue

Installation, transportation, service, and other revenue include the revenues associated to the mobilization and installation of rental fleet, mat management services, and soil stabilization services.

Revenues for Q1 2019 increased by $1.0 million or 20% compared to Q1 2018. The increase in Q1 2019 was primarily a result of higher mobilization and installation services of the rental fleet and strong soil stabilization activity compared to Q1 2018.

Industrial Services Direct Costs

Direct costs in the Industrial Services business unit for Q1 2019 were $65.7 million or 79% of revenue compared to $50.7 million or 84% of revenue for Q1 2018. Direct costs are driven by both the level and mix of business activity consisting primarily of labour, raw material, trucking, rent and utility costs. As a percentage of revenue, direct costs improved 5% in Q1 2019 compared to Q1 2018 primarily as a result of the higher margin camp rental and catering activity, the 9,029 mats sold in Q1 2019 and the strengthening mat rental rates. The increase in direct costs of $15.0 million in Q1 2019, compared to Q1 2018, were mainly related to the overall increase in activity levels.

Modular Solutions

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

	Three months ended March 31,		
(000's)	2019	2018	% change
Modular Solutions revenue	$ 45,747	$ 22,525	103
Expenses			
Direct costs	39,821	22,166	80
Selling & administrative expenses	1,460	629	132
EBITDAS	$ 4,466	$ (270)	1,754
EBITDAS as a % of revenue	10%	(1%)	
Operating earnings (loss)	3,531	(619)	670
Backlog [(1)]	$ 125,304	$ 62,460	101

(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 segment revenues for Q1 2019 were $45.7 million compared to $22.5 million in Q1 2018. The increase was attributable to the continued increase in the backlog between the comparative periods and increased capacity to execute. Projects in Q1 2019 were comprised mainly of commercial projects, including a hostel project and several affordable housing projects for government housing agencies in British Columbia.

A key metric for the Modular Solutions segment is the backlog of projects and timing of backlog execution. The focus for this business unit continues to be securing and increasing backlog, which was $125.3 million at the end of Q1 2019, including $32.0 million acquired from NRB, compared to $88.8 million at the end of 2018.

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 87% of revenues in Q1 2019 compared to 98% in Q1 2018. The improvement was mainly driven by economies of scale from higher activity levels that are absorbing the relatively fixed component of the direct costs.

Selling & Administrative Expense

Selling & administrative expenses are comprised of sales and marketing costs associated with each segment, along with corporate costs reflecting head office costs including the Named Executive Officers of the Corporation, Corporate Secretary, information technology, corporate accounting staff and associated costs of supporting a public company.

Selling & administrative expenses for Q1 2019 were $5.8 million, an increase of $0.5 million compared to Q1 2018. As a percentage of revenue, selling and administrative expenses were 5% compared to 6% in Q1 2018.

Other Items

Depreciation and amortization

	Three months ended March 31,		
(000's)	2019	2018	% change
Depreciation of property, plant and equipment	$ 9,930	$ 9,994	(1)
Amortization of intangibles	472	688	(31)
Total depreciation and amortization	$ 10,402	$ 10,682	(3)

Depreciation of property, plant and equipment in Q1 2019 was relatively unchanged compared to Q1 2018 as a result of the impact from the adoption of IFRS 16 – Leases that recognized several right-of-use assets in Q1 2019, offset by the impact of some camp facilities being fully depreciated.

The amortization of intangibles is related to the acquisition of Karoleena Inc. in June 2016 and Empire Camp Equipment Ltd. in August 2016.

Financing costs

Financing costs include interest on loans and borrowings and interest on financial leases. For Q1 2019, financing costs were $1.0 million, an increase of $0.2 million compared to Q1 2018. The financing costs on loans and borrowings were driven by lower average debt levels in Q1 2019, which averaged $36.3 million for the three months ended March 31, 2019 compared with $83.4 million in the same period of 2018. The lower interest on loans and borrowing was offset by the increased interest on finance leases of $0.3 million as a result of the adoption of IFRS 16 – Leases.

The effective interest rate on loans and borrowings for the three months ended March 31, 2019 was 4.5% compared to 4.3% in the same period of 2018. The higher effective interest rate in Q1 2019 was driven by the tiered interest rate structure of the credit facility.

Income taxes

The income tax expense for Q1 2019 was $1.6 million with an effective tax rate of 29.4%, compared to income tax recovery of $1.7 million with an effective tax rate of 22.3% in Q1 2018. The increase in income tax expense was attributable to a larger net earnings in Q1 2019, combined with the decrease in permanent differences resulting from non-deductible expenses and fewer unrecognized non-capital losses in the current period.

Gain/Loss on disposal

For Q1 2019, the loss on disposal was $0.3 million compared to a loss on disposal of $0.2 million in Q1 2018. The gains and losses on disposals are typically generated from ongoing fleet management of operational assets.

Liquidity and Capital Resources

Liquidity is principally monitored through cash and cash equivalents and available borrowing capacity under the Corporation's committed credit facility. The outstanding balance under the credit facility fluctuates as it is drawn to finance working capital requirements, capital expenditures, acquisitions and dividends or repaid with funds from operations, disposals and financing activities.

Summary of cash flows *(000's)*	March 31, 2019	March 31, 2018
Operating activities	$ 17,233	$ 5,927
Investing activtities	(15,104)	(13,537)
Financing activities	(2,129)	7,610
Change in cash position	$ -	$ -

For the three months ended March 31, 2019, operating activities generated $17.2 million of cash, compared to $5.9 million of cash in Q1 2018. The variance was driven primarily by the strong quarterly earnings in Q1 2019 compared to Q1 2018. Cash used in investing activities for 2019 includes the capital spending related to the Crossroads open lodge facility in Kitimat, British Columbia compared to the purchase of a 288-person camp facility south of Fort McMurray, Alberta in Q1 2018. Cash used in financing activities included dividend payments and the cash impact of finance leases.

Working capital position *(000's)*	March 31, 2019	December 31, 2018
Current assets	$ 125,893	$ 116,125
Current liabilities excluding loans and borrowings(1)	69,318	54,012
Working capital(2)	$ 56,575	$ 62,113

(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, 2019 was $56.6 million compared to $62.1 million at December 31, 2018, a decrease of $5.5 million. The decrease in working capital was mainly due to an increase of the current portion of lease liabilities impacted by the adoption of IFRS 16 – Leases.

Borrowing capacity *(000's)*	March 31, 2019	December 31, 2018
Bank borrowing:		
Available credit facility	$ 150,000	$ 150,000
Drawings on credit facility	34,256	30,894
Borrowing capacity(3)	$ 115,744	$ 119,106

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

Effective March 27, 2018, Horizon North reached an agreement with its lenders to amend its 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 2019. The credit facility has an available limit of $150.0 million and is secured by a $400.0 million first fixed and floating charge debenture over all assets of the Corporation and its wholly-owned subsidiaries. The interest rate is calculated on a grid pricing structure based on the Corporation's debt to EBITDAS ratio. Debt to EBITDAS is calculated as at the quarter end for the most recently completed calendar quarter and for the 12 months ended on such date. Amounts drawn on the credit facility incur interest at bank prime rate plus 0.50% to 2.25% or the Bankers' Acceptance rate plus 1.50% to 3.25%. The credit facility has a standby fee ranging from 0.34% to 0.73%.

The 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 Borrowings 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 as shown below:

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 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, 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 EBITDAS to 12 months trailing interest expense on loans and borrowings.

Capital Spending

For the three months ended March 31, 2019, gross capital spending, excluding the impact of the adoption of IFRS 16 – Leases that recognized $26.6 million of right-of-use assets, was $18.6 million compared to $20.1 million in the same period of 2018. Capital spending in Q1 2019 was mainly focused on augmenting the access mat fleet to support the mat rental utilization, and the capital related to the mobilization and commissioning of the Crossroads open camp facility in Kitimat, British Columbia.

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 $14.8 million for Q1 2019 compared to $16.3 million for Q1 2018.

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			
	2019	2018	2018	2018
(000's except per share amounts)	March	December	September	June
Revenue	$ 128,745	$ 118,045	$ 100,022	$ 93,603
EBITDAS	17,405	13,654	11,710	6,886
Operating earnings (loss)	6,328	2,240	1,308	(3,800)
Total income (loss)	3,737	1,413	(157)	(3,390)
Total comprehensive income (loss)	3,737	1,413	(112)	(3,435)
Earnings (loss) per share – basic	$ 0.02	$ 0.01	$ (0.00)	$ (0.02)
Earnings (loss) per share – diluted	$ 0.02	$ 0.01	$ (0.00)	$ (0.02)

	Three months ended			
	2018	2017	2017	2017
(000's except per share amounts)	March	December	September	June
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)

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 allocation of manufacturing resources between external projects and internal fleet requirements, along with the time and costs required to deploy camp and catering fleet assets, significantly affect the timing of revenues between the quarters and impact performance. Although there is some seasonality, with the first quarter generally stronger, this effect can be muted or compounded by the other factors.

Horizon North, as a key part of its bifurcation strategy, has focused its manufacturing infrastructure on permanent modular construction projects rather than traditional camp manufacturing. This diversification strategy has decreased the Corporation's exposure to commodity prices, reducing volatility and providing a more stable business operation. The strategic initiative of business transformation was a high priority and gained momentum in 2017. During 2018, the Modular Solutions segment continued to experience momentum with a significant increase in positive earnings as a result of strong backlog growth and increased manufacturing capacity with the acquisitions of Shelter Modular Inc. and the custom manufacturing business of C&V Portable Accommodations Ltd. Subsequent to Q1 2019, the acquisition of NRB expanded the manufacturing capacity into the southern Ontario region.

Risks and Uncertainties

Volatility of Oil, Natural Gas and Mining Industry Conditions

The demand, pricing and terms for Horizon North's products and services depend upon the level of industry activity for oil, natural gas and mineral exploration and development in the western Canadian provinces and territories. Industry conditions are influenced by numerous factors over which Horizon North has no control, including: oil, natural gas and mineral prices; expectations about future oil, natural gas and mineral prices; the cost of exploring for, producing and delivering oil, natural gas and minerals; the expected rates of declining current production; the discovery rates of new oil, natural gas and mineral reserves; available pipeline and other oil, natural gas transportation capacity; demand for oil, natural gas and minerals; weather conditions; global political, military, regulatory and economic conditions; and the ability of oil, natural gas and mining companies to raise equity capital or debt financing for exploration and development work.

Current global economic events and uncertainty have the potential to significantly impact commodity pricing, changing the economic feasibility of industry development projects. No assurance can be given that expected trends in oil, natural gas and mineral production activities will continue or that demand for services provided by Horizon North will reflect the level of activity in the industry. Any prolonged substantial reduction in oil, natural gas, and mineral prices would likely affect activity levels in these industries and therefore affect the demand for the services provided by Horizon North.

Competition

Horizon North provides products and services to oil, natural gas and mineral exploration and production companies in the western Canadian provinces and northern territories. The service businesses in which Horizon North operates are highly competitive. To be successful, Horizon North has to provide services that meet the specific needs of its clients at competitive prices. The principal competitive factors in the markets in which Horizon North operates are service, quality, availability, reliability and performance of equipment used to perform its services, technical knowledge and experience, safety records and ongoing safety programs and price. Horizon North competes with several competitors, which offer similar services in geographic areas in which Horizon North operates. As a result of competition, Horizon North's business, financial condition and results of operations could be adversely affected.

Reduced levels of activity in the oil and natural gas and mining industries can intensify competition and result in lower revenue to Horizon North. Variations in the exploration and development budgets of oil and natural gas and mining companies, which are directly affected by fluctuations in energy prices and mineral prices, the cyclical nature and competitiveness of the oil and natural gas and mining industries and governmental regulation, will have an effect upon Horizon North's ability to generate revenue and earnings.

Horizon North's pursuit of opportunities in permanent modular construction is in competition with other modular builders as well as traditional site-built providers. To be successful, Horizon North must demonstrate the value proposition of modular construction and successfully execute projects.

Credit Risk

A substantial portion of Horizon North's trade and other accounts receivable are with customers involved in the oil, natural gas and mining industries, whose revenues may be impacted by fluctuations in commodity prices. Collection of these receivables could be influenced by economic factors affecting the oil and natural gas and mining industries.

Many of the Corporation's customers require reasonable access to credit facilities and debt capital markets to finance their projects. If the availability of credit to the Corporation's customers is reduced, they may reduce their expenditures, thereby decreasing demand for the Corporation's products and services. A reduction in spending by the Corporation's customers could adversely affect its operating results and financial condition. During the term of a contract, Horizon North may be required to use its working capital to fund project costs until payments are collected from the customer. A greater incidence of payment default by clients could result in a financial loss to the Corporation that could have a material adverse effect on its operating results and financial position.

Additional Funding Requirements

Horizon North's cash flow may not be sufficient to fund its ongoing activities at all times. From time to time, Horizon North may require additional financing. Failure to obtain such financing on a timely basis could cause Horizon North to miss certain acquisition opportunities or prevent further growth of its operations. If Horizon North's revenues decrease, it will affect Horizon North's ability to expend the necessary capital to maintain its operations. If Horizon North's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or terms acceptable to Horizon North.

Labour Relations

The largest component of Horizon North's overall expenses is salaries, wages, benefits and payments to employees, agents and contractors. Any significant increase in these expenses could impact the financial results of Horizon North. In addition, Horizon North will be at risk if there are any labour disruptions. Horizon North believes that it has and will continue to foster a positive relationship with employees, agents and contractors.

Agreements and Contracts

The business operations of Horizon North depend on successful execution of contracts. The key factors which will determine whether a client will continue to use Horizon North will be service quality, availability, reliability and performance of equipment used to perform its services, technical knowledge, experience, safety record, ongoing safety programs and competitive pricing. There can be no assurance that Horizon North's relationship with its customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, could have a material adverse effect on Horizon North's business, financial condition and results of operations.

Significant Customers

The Corporation had one major customer who generated 27% of total revenues in Q1 2019 compared to two major customers who generated 26% of total revenues in Q1 2018. 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 Camp & 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 Camp & 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.

Trade Relations

On September 30, 2018, the United States, Mexico and Canada announced the completion of negotiations concerning the North American Free Trade Agreement, signalling their intention to adopt a new United States-Mexico-Canada Agreement ("USMCA"). The proposed USMCA remains subject to further legal review and the domestic ratification procedures of each of the United States, Mexico and Canada. As the final terms and ratification of the USMCA remain uncertain, it is currently unclear how this agreement may affect Canada and what effects the final terms will have on the Corporation.

Fort McMurray Proposed Camp Restrictions

In January 2019, the councillors of the Regional Municipality of Wood Buffalo voted in favour of imposing a moratorium on new oilsands camps within a 75 kilometre radius of Fort McMurray. The proposed moratorium, if implemented, could negatively impact growth opportunities, new business and revenues for the Camp & Catering segment in the Fort McMurray region.

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, 2018 and 2017. As at March 31, 2019, Horizon North updated its accounting policies to include the adoption of IFRS 16 – Leases transition. The details are provided in Note 3 of the Condensed Consolidated Interim Financial Statements as at March 31, 2019.

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

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

Purchase price equations

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

Financial Instruments and Risk Management

(a) Overview

The Corporation is exposed to a number of different financial risks arising from the normal course of business operations as well as through the Corporation's financial instruments comprised of cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings. These risk factors include credit risk, liquidity risk, and market risk, including currency exchange risk and interest rate risk.

The Corporation's risk management practices include identifying, analyzing and monitoring the risks faced by the Corporation. The following presents information about the Corporation's exposure to each of the risks and the Corporation's objectives, policies and processes for measuring and managing risk.

(b) Credit risk

Credit risk is the risk that a customer will be unable to pay amounts due causing a financial loss. The Corporation's practice is to manage credit risk by examining each new customer individually for credit worthiness before the Corporation's standard payment terms are offered. The Corporation's review may include financial statement review, credit references, or bank references. Customers that lack credit worthiness transact with the Corporation on a prepayment only basis.

The Corporation constantly monitors individual customer trade receivables and accrued revenue, taking into consideration industry, aging profile, maturity, payment history and existence of previous financial difficulties in assessing credit risk. A formal review is performed each month for each subsidiary, focusing on amounts in trade receivable and accrued revenue which have been outstanding for periods which are considered abnormal for each customer. The Corporation establishes an allowance for doubtful accounts for specifically identifiable customer balances which are assessed to have credit risk exposure.

The following shows the aged balances of trade and other receivables:

(000's)		March 31, 2019		December 31, 2018
Trade receivables				
Neither impaired nor past due	$	24,169	$	16,944
Outstanding 31-60 days		8,498		4,908
Outstanding 61-90 days		1,887		2,068
Outstanding more than 90 days		4,414		4,549
Total trade receivables	$	38,968	$	28,469
Construction receivables				
Neither impaired nor past due	$	10,254	$	13,658
Outstanding 31-60 days		138		73
Outstanding 61-90 days		718		1,055
Outstanding more than 90 days		1,934		2,124
Total construction receivables	$	13,044	$	16,910
Accrued revenue	$	38,554	$	30,687
Accrued construction revenue		26,369		29,000
Other receivables		431		960
Allowance for doubtful accounts		(2,577)		(3,059)
Total trade and other receivables	$	114,789	$	102,967

In the three months ended March 31, 2019, the Corporation provided an allowance for $2.6 million of receivables aged greater than 90 days. As at May 2, 2019, the Corporation has collected $0.8 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, 2019, included in construction receivables were holdbacks of $6.7 million (March 31, 2018 - $1.5 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, 2019		December 31, 2018	
	Trade and payables(1)	Loans and borrowings(2)	Trade and payables(1)	Loans and borrowings(2)
Year 1	$ 71,299	$ -	$ 51,937	$ -
Year 2	-	34,256	4,382	30,894
Year 3	432	-	-	-
Year 4	3,601	-	424	-
Year 5 and beyond	3,233	-	6,641	-
	$ 78,565	$ 34,256	$ 63,384	$ 30,894

(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, 2019 by approximately $11,700 (March 31, 2018 - $14,800). 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 $0.1 million for the three months ended March 31, 2019 (March 31, 2018 - $0.2 million). 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 165,050,238 voting common shares issued and outstanding and exercisable options to purchase 5,938,784 shares for a total potential of 170,989,022 shares as at May 2, 2019.

Off-Balance Sheet Financing

Horizon North has no off-balance sheet financing.

Subsequent Event

On April 1, 2019, the Corporation acquired 100% of the issued and outstanding shares of NRB for $16.4 million, payable in a mix of cash consideration, common shares of the Corporation and assumption of existing debt. On closing, 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.

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 2019, 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, 2019 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, 2019 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, share based compensation, earnings from equity investments, and gain/loss on disposal of property, plant and equipment ("EBITDAS"). Management believes that in addition to total profit (loss) and total comprehensive income (loss), 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.

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

Reconciliation of non-GAAP measures

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

EBITDAS

	Three months ended March 31,	
(000's)	2019	2018
Total profit (loss)	$ 3,737	$ (6,062)
Add:		
Share based compensation	417	637
Depreciation & amortization	10,402	10,682
Finance costs	1,038	828
Loss on disposal of property, plant and equipment	258	158
Earnings from equity investments	-	(67)
Income tax expense (recovery)	1,553	(1,743)
EBITDAS	$ 17,405	$ 4,433

Advisories

This Management's Discussion and Analysis, prepared as at March 31, 2019, 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 statements that:

- "The Modular Solutions business delivered positive EBITDAS for the fourth consecutive quarter and increased by $4.7 million compared to Q1 2018. Backlog exiting the quarter was $125.3 million, including $32.0 million acquired from NRB, compared to $88.8 million at December 31, 2018. The funnel of high-quality, high probability opportunities also increased, exiting the quarter at $306.0 million compared to $290.0 million at December 31, 2018;
- The Industrial Services business achieved significant improvement in all financial measures with several camp rental and catering projects starting in the quarter, strong matting sales and increased mat rental pricing;
- April 1, 2019 marked the successful completion of the acquisition of NRB Inc. ("NRB"), a significant step in the Corporation's pan-Canadian growth strategy. NRB is a full-service modular manufacturing company based in Grimsby, Ontario, providing Horizon North with manufacturing capacity in the southern Ontario region. Expertise in wood-frame modular structures will expand east, providing solutions for affordable social, student, and senior housing, in addition to Indigenous infrastructure projects, hotels, commercial space and single and multi-family homes. NRB's expertise in steel-frame, non-combustible modular structures will expand west, including facilities for health care, recreation, and education purposes, as well as retail, hospitality and utilities;
- The Corporation has committed to the design and construction of a 120-room, five-story modular Marriott Fairfield Inn & Suites located on the Corporation's Crossroads land parcel in Kitimat, British Columbia, with anticipated completion in late 2019;
- Mobilization and installation of the first phase of the Crossroads open lodge facility in Kitimat, British Columbia continues to move forward. The first 260 beds will be ready for occupancy in mid-Q2 2019, with the facility permitted for up to 1,000 beds. The lodge will provide workforce accommodations to support development in the area, including the LNG Canada project; and
- In April 2019, Horizon North entered into a strategic alliance with Prefab Logic to build the volumetric modular industry, with Prefab Logic providing product design and management services for projects to Horizon North. This agreement will provide Horizon North with opportunities to supply modules for select projects in the United States market strengthening plant utilization and providing initial exposure to significant modular construction demand using wood-frame and steel-frame modular manufacturing in concert with the Corporation's pan-Canadian growth strategy. "

Under the heading "Outlook" the statement that:

"In 2019, Horizon North will continue to diversify both its portfolio of offerings and customer base through its two operating divisions: Industrial Services and Modular Solutions.

Industrial Services

Horizon North will continue to leverage its reputation as a leading provider of turn-key camp, hospitality, access and maintenance solutions with focus on the following four key areas:

- West Coast/Liquified Natural Gas
    - Horizon North continues the setup of the first phase of development on its 57-acre parcel of land located at the entrance to Kitimat, British Columbia. Horizon North expects to open the first 260 beds of its world-class Crossroads open lodge in Q2 2019 with the facility permitted for up to 1,000 beds to service increasing activity in the region.
    - Pursuant to a Teaming Agreement with Falcon Camp Services Inc., Horizon North has entered into contracts to provide equipment, catering, hospitality and operations services for camps supporting construction work on the Coastal GasLink Project in northern British Columbia. These contracts provide additional exposure to significant construction activity over a 30-month period beginning in June 2019.
- Montney/Duvernay – Activity in this region continued to be strong in Q1 2019 but is expected to face market headwinds for the balance of 2019. Horizon North is the largest provider of open camp services in this area and is a market leader in providing catering and hospitality services in customer-owned facilities. Horizon North will continue to leverage existing assets, strategic locations and relationships while looking to develop additional opportunities to support activity in this region.
- Oil Sands – Horizon North expects to leverage its operational footprint and experience, along with two prominent relationships with Aboriginal communities north and south of Fort McMurray, to pursue both full turn-key opportunities and catering and hospitality opportunities in customer-owned facilities.
- Northern Canada – Horizon North has a long history and expertise in providing hospitality, management and maintenance services across Canada's northern regions. Horizon North will continue to focus on developing and expanding its capabilities and footprint across Canada's highly variable and remote northern regions.

Modular Solutions

Horizon North's focus is to continue to maximize the growth of its backlog and executing on throughput of modular construction projects to drive economies of scale in our facilities. Horizon North will continue to strengthen its product offerings as the mix of product balances between government and commercial projects throughout 2019.

April 1, 2019 marked the successful completion of the acquisition of NRB, a significant step in the Corporation's pan-Canadian growth strategy. NRB is a full-service modular manufacturing company based in Grimsby, Ontario, providing Horizon North with manufacturing capacity in the southern Ontario region. Expertise in wood-frame modular structures will expand east, providing solutions for affordable social, student, and senior housing, in addition to Indigenous infrastructure projects, hotels, commercial space and single and multi-family homes. NRB's expertise in steel-frame, non-combustible modular structures will expand west, including facilities for health care, recreation, and education purposes, as well as retail, hospitality and utilities.

Increased capacity in western Canada from two modular manufacturing facility acquisitions in 2018 and the newly acquired southern Ontario facility, via NRB, have expanded Horizon North's geographic footprint and product mix. These two factors will allow Horizon North to provide our products and services across the country and serve additional regions that have a strong appetite for our unique modular construction and delivery model.

In April 2019, Horizon North entered into a strategic alliance with Prefab Logic to build the volumetric modular industry, with Prefab Logic providing product design and management services for projects to Horizon North. This agreement will provide Horizon North with opportunities to supply modules for select projects in the United States market strengthening plant utilization and providing initial exposure to significant modular construction demand using wood-frame and steel-frame modular manufacturing in concert with the Corporation's pan-Canadian growth strategy."

Under the heading "Dividend Payment" regarding the payment of a dividend to shareholders of record at the close of business on June 30, 2019 to be paid on July 15, 2019.

Under the heading "Modular Solutions" the statement that:

"A key metric for the Modular Solutions segment is the backlog of projects and timing of backlog execution. The focus for this business unit continues to be securing and increasing backlog, which was $125.3 million at the end of Q1 2019, including $32.0 million acquired from NRB, compared to $88.8 million at the end of 2018."

Under the heading "Liquidity and Capital Resources" the statement that:

"The maturity date was extended to September 30, 2020 to provide certainty with respect to borrowing capacity as the Corporation evaluated its capitalization and debt structure through 2019."

Under the heading "Quarterly Summary of Results" the statement that:

"Horizon North, as a key part of its bifurcation strategy, has focused its manufacturing infrastructure on permanent modular construction projects rather than traditional camp manufacturing. This diversification strategy has decreased the Corporation's exposure to commodity prices reducing volatility and providing a more stable business operation."

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;
- the impacts of a positive final investment decision from LNG Canada with respect to the Kitimat LNG project;
- capital investment in the Canadian oil and gas sector;
- dividend payments;
- anticipated activity levels for 2019;
- operational results and capital spending;
- anticipated backlog in the Modular Solutions business;
- trade and other receivables;
- the impacts of the NRB acquisition;
- future operating costs and Corporation's access to capital;
- the effects of regulation by governmental agencies;
- the competitive environment in which the Corporation operates;
- the ability of the Corporation to attract and retain personnel;
- the development of LNG and commodity transportation infrastructure;
- the relationships between the Corporation and its customers; and
- general economic and financial conditions.

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

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

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

Certain information set out herein may be considered as "financial outlook" within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding Horizon North's reasonable expectations as to the anticipated results of its proposed business activities for the periods indicated. Readers are cautioned that the financial outlook may not be appropriate for other purposes.