

## /ANNUAL INFORMATION FORM



FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2019  
DATED MARCH 11, 2020

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## Caution Regarding Forward-Looking Information and Statements

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Certain statements contained in this Annual Information Form constitute forward-looking statements or information (collectively “**forward-looking statements**”). These statements relate to future events or future performance of Horizon North Logistics Inc. (“**Horizon North**” or the “**Corporation**”). 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 “*General Development of the Business of Horizon North*”, the statements regarding the potential impact of certain agreements on the Corporation's pan-Canadian growth strategy, the potential for the Corporation to supply modules for select projects in the United States, the expected use, operational periods and occupancy levels of various hotels, camps, lodges or complexes constructed pursuant to agreements to which the Corporation is a party, the expected revenues under various agreements, expected completion dates of various projects and the anticipated capital requirements of the Corporation;
- under the heading “*Description of the Business of Horizon North*”, the statements regarding the Corporation's core strategy and key initiatives;
- under the heading “*Business Strategy and Operating Objectives*”, the statements regarding the Corporation's focus on certain initiatives; and
- under the heading “*Dividends and Distributions*”, the statement that “Horizon North's intention is to continue to declare dividends on a quarterly basis”. The payment of dividends will be subject to the ongoing discretion of the board of directors of Horizon North (the “**Board**”) and the ability of Horizon North to comply with applicable laws and solvency tests related to the distribution of dividends.

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:

- the execution of the Corporation's core strategy and initiatives allowing Horizon North to achieve structural changes and efficiencies, achieve its business strategy and operating objectives and expand its activities and business in the future;
- quarterly dividends continuing to be payable;
- industry activity for oil, natural gas and mineral exploration and development in the western Canadian provinces and northern territories;
- commodity prices;
- anticipated activity levels and demand for Horizon North's products and services for 2020;
- future operating costs and the 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 liquefied natural gas (“**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 and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because Horizon North cannot give any assurance that they will prove to be correct. Since forward-looking statements and information 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:

- economic conditions change to the extent that dividends may not be payable;
- 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; and
- changes in regulation by governmental agencies, including environmental regulation and tax laws and treatments.

The foregoing list is not exhaustive and such factors are further discussed herein under the heading "*Risk Factors*". The Corporation believes the expectations reflected in the forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct, and such forward-looking statements and information should not unduly be relied upon. These forward-looking statements and information are made as of the date of this Annual Information Form and Horizon North does not undertake any obligation to update publicly or revise any forward-looking statements and information, whether as a result of the new information, future events or otherwise, unless so required by applicable securities laws. The forward-looking statements and information contained in this Annual Information Form, are expressly qualified by this cautionary statement.

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.

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## Corporate Structure

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### Name, Address and Incorporation

The head office and registered office of Horizon North is located at Suite 900, 240 – 4<sup>th</sup> Avenue SW., Calgary, Alberta, T2P 4H4. Horizon North is a publicly traded corporation and its common shares ("**Horizon North Shares**") are listed on the Toronto Stock Exchange ("**TSX**") under the symbol "HNL". Additional information can be found on Horizon North's website at [www.horizonnorth.ca](http://www.horizonnorth.ca).

Pe Ben Transport Ltd., a predecessor corporation to Horizon North, was incorporated under the laws of the Province of Alberta by a Certificate of Incorporation dated May 16, 1967. On January 11, 1973, its name was changed to Pe Ben Oilfield Services Ltd. ("**Pe Ben**"). Pe Ben was continued federally under the *Canada Business Corporations Act* ("**CBCA**") on September 25, 1981. On April 27, 2006, Pe Ben amended its articles of incorporation to change its name to Horizon North Logistics Inc. Horizon North was continued from the CBCA to the *Business Corporations Act* (Alberta) ("**ABCA**") on May 24, 2006.

On July 1, 2007, Horizon North amalgamated (the "**2007 Amalgamation**") with its wholly-owned subsidiaries Shanco Camp Services Ltd. ("**Shanco**"), Legacy Industrial Camps Inc. ("**Legacy**") and Fortier & Associates Camp Catering Inc. ("**Fortier**"). The amalgamated corporation continued under the name Horizon North Logistics Inc.

Immediately following the 2007 Amalgamation, all of the business assets and liabilities of Shanco, Legacy and Fortier were transferred to the newly formed Horizon North Camp & Catering Partnership, of which the partners are Horizon North (99.9%) and Horizon North Camp & Catering Inc. (0.1%), a wholly-owned subsidiary of Horizon North.

On November 30, 2007, a wholly-owned subsidiary of Horizon North acquired all of the business assets and liabilities of Northern Trailer Ltd. ("**Northern Trailer**"). Horizon North continued to operate the business under the Northern Trailer name until October 1, 2008, when the business assets and liabilities of Northern Trailer were transferred to Horizon North Camp & Catering Partnership.

On June 1, 2013, the business assets and liabilities of Swamp Mats Inc., a wholly-owned subsidiary of Horizon North, were transferred to Horizon North Camp & Catering Partnership.

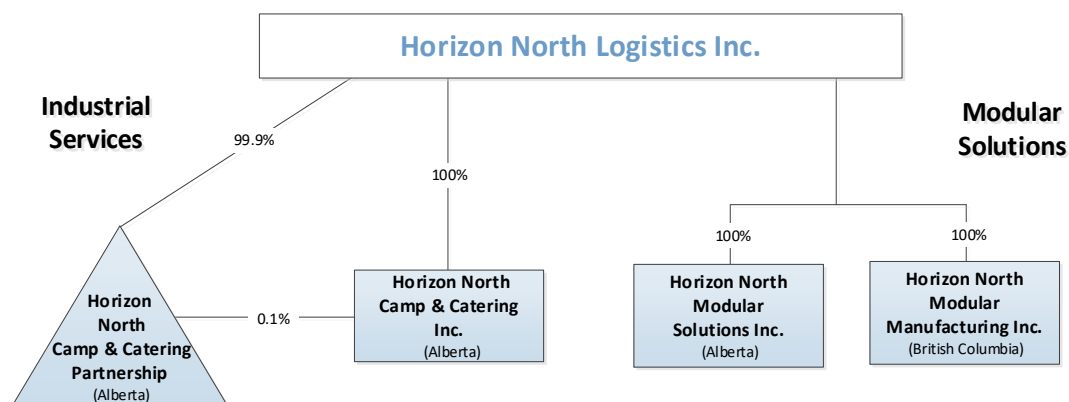
Effective June 1, 2016, Horizon North acquired all of the issued and outstanding shares of Karoleena Inc. and its subsidiaries (“**Karoleena**”). On August 23, 2016, Horizon North acquired all of the issued and outstanding shares of Empire Camp Equipment Ltd. (“**Empire**”).

On April 16, 2018, the Corporation acquired all the issued and outstanding shares of Shelter Modular Inc. (“**Shelter**”). On November 1, 2018, a wholly-owned subsidiary of Horizon North acquired all of the operating assets and inventory of the custom manufacturing division of C&V Portable Accommodations Ltd. (“**C&V**”).

On April 1, 2019, the Corporation acquired all the issued and outstanding shares of NRB Inc. (“**NRB**”). NRB is a full-service modular manufacturing company based in Grimsby, Ontario. NRB’s projects range in size and scope, and include applications in the educational, retail, commercial, health care, industrial and institutional construction markets.

### Intercorporate Relationships

The following diagram illustrates the organizational structure of the Corporation and its material subsidiary entities:



## General Development of the Business of Horizon North

### Three Year History

#### 2017

On January 1, 2017, Horizon North realigned its reportable segments reflecting the formalization of its diversification strategy which bifurcated the business base into two distinct business units, Industrial Services and Modular Solutions. The Industrial Services business unit contains Horizon North’s legacy operations which are primarily resource sector reliant and include camp rental and catering operations, manufacturing sales, relocatable structures rentals, access mat rentals, other equipment rentals, used equipment sales, and the associated service and transport within each operation. The Modular Solutions business unit consists of production, transportation and installation of commercial, rental and residential modular buildings such as hotels, office space, affordable housing complexes, seniors' centres, multifamily housing projects and single family residences.

The destruction of the Blacksand Executive Lodge in 2016 due to the wildfires near Fort McMurray, Alberta resulted in a total insurance settlement of \$34.1 million for Horizon North, with the majority related to lost equipment and restoration of damaged equipment. Anticipated proceeds, equal to net book value, were



recognized in 2016 and the remaining proceeds received generated a \$12.1 million gain in 2017. Business interruption proceeds of \$1.0 million were also recorded in 2017, with the balance of proceeds offsetting costs incurred related to the asset claim.

In 2017, Horizon North delivered its first modular hotel, an 85 room hotel in Revelstoke, British Columbia. In addition to the completion of the Corporation's first modular hotel, throughout 2017 Horizon North was awarded several modular construction projects and camp services contracts. In April 2017, Horizon North was awarded a three-year contract to provide camp services to a mining project in Nunavut. Revenue over the term of the contract is expected to be approximately \$77.0 million with the additional change orders and required approximately \$7.0 million in capital to be deployed. In June 2017, Horizon North supplied and installed a camp in Northern Alberta providing catering and hospitality services over an initial 20 month term. Revenue over the initial term of the contract was \$23.2 million. The facility is comprised of existing fleet assets and an additional \$1.2 million of newly manufactured equipment. In October 2017, the City of Vancouver approved a recommendation authorizing Vancouver Affordable Housing Agency to negotiate an agreement or agreements with Horizon North for design, manufacturing and installation of temporary modular affordable housing units on locations to be selected by the City of Vancouver as part of a social infrastructure and affordable housing project. The commercial and the residential modular contracts entered into in 2017 significantly increased the backlog of project work as of December 31, 2017 in comparison to the prior year.

Horizon North completed the sale of a 450 bed camp facility in the Alberta oil sands area to the existing customer. The sale of fleet equipment is part of Horizon North's approach to manage and optimize the size and mix of the rental fleet. It is standard practice for Horizon North to include equipment buyout options in camp rental contracts and on this particular contract the customer exercised the buyout option on contract expiry.

Effective May 3, 2017, the Corporation amended its credit facility. The facility was extended an additional year, until March 31, 2019. The amended facility included a more flexible covenant package to accommodate additional working capital requirements conducive to the Modular Solutions business model. Management elected to reduce the borrowing capacity to \$150 million as a cost saving measure to lower costs associated with unused borrowing capacity.

## 2018

On January 8, 2018, Horizon North announced that its Industrial Services business completed the acquisition of Moose Haven Lodge in Janvier, Alberta for a purchase price of \$14.0 million, payable in a mix of cash and Horizon North Shares and formed two new Aboriginal partnerships in the Fort McMurray, Alberta area.

Horizon North's Modular Solutions business experienced strong growth throughout the year which was attributed to the significant backlog of projects and the strengthening funnel of high-quality, high probability opportunities for the product offerings with social infrastructure and affordable housing projects leading the demand. On April 16, 2018, the Corporation acquired all the issued and outstanding shares of Shelter for \$3.6 million through a combination of Horizon North Shares and assumption of existing debt, after closing adjustments. Shelter, based in Aldergrove, British Columbia, provided Horizon North with immediate manufacturing capacity to meet increasing demand in the Modular Solutions business, and provides exposure to future opportunities to grow the modular business.

In April 2018, Horizon North was granted a conditional award for the provision of full turn-key camp facilities and services in the North Montney region of northeast British Columbia. The award provided for the construction of two new workforce accommodations facilities of 575 and 610 beds, respectively, and the utilization of Horizon North's existing Kobes Creek Lodge open camp.

In June 2018, the Corporation completed a bought deal equity financing for \$47.5 million in net proceeds which was used to initially reduce the Corporation's committed credit facility balances, which was then available to take advantage of opportunities associated with new LNG projects in western Canada, and to expand the Corporation's Modular Solutions business across Canada.

On November 1, 2018, the Corporation acquired all the operating assets and inventory of the customer manufacturing business of C&V for total cash consideration of \$3.3 million, after closing adjustments. The operating assets acquired included the existing leasehold on 86,000 square feet of manufacturing space in Rocky View County, Alberta, as well as employees, equipment, working capital, and certain intangible assets. The manufacturing facility and the assets are used to increase capacity in Modular Solutions and to gain access to desirable markets.

On December 20, 2018, Horizon North implemented a normal course issuer bid ("**NCIB**") through the facilities of the TSX, following acceptance of the Corporation's notice to the TSX to conduct the NCIB. The Corporation was permitted to acquire up to 16,185,634 Horizon North Shares under the NCIB ("**Bid Shares**"), which expired on December 19, 2019. No Bid Shares were acquired pursuant to the NCIB.

## 2019

On April 1, 2019, the Corporation acquired all of the issued and outstanding shares of NRB for \$17.2 million, payable in a mix of cash consideration, Horizon North Shares and extinguishment of existing debt of NRB. NRB, based in Grimsby, Ontario, provided Horizon North with immediate manufacturing capacity in Southern Ontario and a significant next step in the Corporation's pan-Canadian growth strategy.

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

Horizon North's Modular Solutions business continued the development of its hospitality offerings throughout 2019 with the completion of a design-build project for Hosteling International Canada in Jasper, Alberta in June 2019. On April 1, 2019, the Corporation announced the award of a design-build project from a repeat client for a five-storey, select service modular hotel in Prince George, British Columbia and the commitment for the design and build of a 119-room, five-storey modular Fairfield by Marriott in Kitimat, British Columbia. The Marriott hotel will be located on the Corporation's Crossroads land parcel in Kitimat and will support development in the region, including the LNG Canada project.

On April 22, 2019, the Corporation announced a Teaming Agreement with Falcon Camp Services Inc. ("**Falcon Camp Services**") to enter into camp contracts (the "**Camp Contracts**") to provide equipment, catering, hospitality and operations services for two camps supporting construction work on the Coastal GasLink Project in northern British Columbia. The Parsnip and Little Rock Camps (the "**Camps**"), located near MacKenzie, British Columbia and Fraser Lake, British Columbia respectively, will operate over an expected period of 30 months (the "**Expected Service Period**") that began in June 2019. The occupancy levels of the Camps will fluctuate over the Expected Service Period based on project needs and construction seasons varying in length from five to eleven months. The Camps will have approximately 350 beds combined at the beginning of the Expected Service Period, with an anticipated peak of approximately 1,900 beds in late 2020.

Horizon North's workforce accommodations business announced the completion of the mobilization and installation of the first phase of the Crossroads open lodge, a 57-acre land parcel in Kitimat, British Columbia, in the second half of 2019. The first 260 executive-style beds were ready for occupancy in mid-second quarter of 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. Following the end of the second quarter of 2019, the Corporation was awarded a contract for significant occupancy of this facility with revenue expected to be approximately \$31 million over the contract term, which began in July 2019. The second phase of this facility is currently ongoing, with expected completion by the first half of 2020.



Following the second quarter of 2019, Horizon North was awarded a contract for provision of temporary construction modular units and large complexes, for a client supporting LNG development, that are being constructed in the Corporation's modular manufacturing facilities. Rental revenue on these units began in the second half of 2019 and construction is expected to be significantly completed by the end of the third quarter of 2020.

Effective September 26, 2019, the Corporation amended its credit facility. The facility was extended to September 30, 2021 to provide certainty with respect to borrowing capacity as the Corporation evaluates its capitalization and debt structure through 2019 and 2020. The amended facility maintains the existing borrowing capacity of \$150.0 million and includes a more flexible covenant package to provide access to liquidity and borrowing capacity for the operating and capital requirements of the Corporation, as required.

## 2020

On March 9, 2020, Horizon North entered into a share purchase agreement ("**Purchase Agreement**") with 10647802 Canada Limited, operating as Dexterra Facilities Management ("**Dexterra**") and Dexterra's sole shareholder. Under the terms of the Purchase Agreement, Horizon North will acquire all of the issued and outstanding shares of Dexterra, an indirect subsidiary of Fairfax Financial Holdings Limited in exchange for issuing Horizon North Shares representing 49% of the issued and outstanding Horizon North Shares on a fully diluted basis (the "**Proposed Transaction**"). Completion of the Proposed Transaction will require shareholder approval for the issuance of Horizon North Shares, receipt of certain stock exchange and regulatory approvals, and satisfaction of other conditions as more particularly set out in the Purchase Agreement, which is available on Horizon North's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Horizon North reached an agreement with its lenders to amend its credit facility effective March 10, 2020. Key amendments include: a \$15.0 million temporary facility to provide additional financial flexibility and amendments to the covenants.

## Significant Acquisitions

Horizon North has not completed any significant acquisitions during its most recently completed financial year for which disclosure is required under Part 8 of National Instrument 51-102.

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## Description of the Business of Horizon North

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### General

Horizon North is a publicly listed corporation (TSX: HNL) 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.

The Corporation's core strategy centers on two distinct business offerings. The Industrial Services business supports large infrastructure development projects in western Canada and the northern territories through the provision of the Corporation's traditional camp rental and catering services, as well as rental products and services. The division's focus is on diversifying the industrial business base and positioning the Corporation for the next up-cycle. The Modular Solutions business designs, manufactures and installs commercial, industrial and residential structures. The division focuses on incremental growth of this offering throughout Canada and the northern territories, and the identification of opportunities for further growth into new markets.

## Revenues Generated by Reporting Segment

Operations are carried out in two main business segments: Industrial Services and Modular Solutions with revenues for the most recently completed two financial years as follows:

(\$000's)	2019	2018
Industrial Services	282,239	264,269
Modular Solutions	180,474	133,155
Inter-segment eliminations	(4,617)	(3,179)
	<b>458,096</b>	<b>394,245</b>

## Industrial Services

Industrial Services is comprised of Horizon North's legacy operations including camp rental and catering operations, manufacturing sales, relocatable structures rentals, access mat rentals, other equipment rentals, used equipment sales, and the associated service and transportation within each operation.

## Camps & Catering Segment

The Camps & Catering segment provides full service workforce accommodation, camp management and catering services to customers working on projects in remote regions of Canada's western provinces and northern territories where the local infrastructure does not provide such facilities. The revenue streams in the Camps & Catering segment are identified as camp rental and catering revenue, catering only revenue, and equipment sales revenue.

Revenues in camp and catering operations are derived from large camp operations, drill camp operations, catering only operations, and the associated service work with each operation.

Large camps range from 50 to 1,000+ beds with contract durations of three months to multi-year commitments. Customers may be charged an all-inclusive day rate for the room and the provision of meals and associated housekeeping services, or be charged on a split rate basis with a charge related to the equipment deployed with a separate charge related to the provision of meals and associated housekeeping services. A certain amount of large camp equipment is set up under a semi-permanent open camp concept in regions that have high anticipated and sustained activity levels. An open camp operates much like a hotel, where customers can house and feed their work crews for an all-inclusive day rate for the room and provision of meals and associated housekeeping services.

Drill camp operations support the drilling programs of upstream oil and natural gas customers. These camps are typically configured with between 20 and 40 beds, with utilization closely tied to drilling rig activity. This part of Horizon North's business is exposed to the cyclical nature of the oil and gas exploration and production business which in turn, is closely tied to oil and natural gas commodity prices.

Catering only revenues provides catering, housekeeping and maintenance services where customers provide the dorms and equipment. Horizon North charges a day rate for these services based on actual occupancy.

Equipment sales revenues include new, in-plant camp construction and used fleet sales.

The Camps & Catering segment employed an average workforce of 1,288 people in 2019. The headcount at the end of 2019 was 1,398 as compared to 1,378 at the beginning of 2019. Headcount increased in connection with the increased number of new camps operating throughout 2019, driven by the demand for workforce accommodations.

Horizon North's Camps & Catering segment operates in a competitive environment with a number of competitors, some of which are larger than Horizon North.

Within the Camps & Catering segment, during 2019, one customer contributed greater than 10% of revenue, compared to 2018 where three customers contributed greater than 10% of revenue.

The following is an overview of Horizon North's Camps & Catering assets as at December 31, 2019:

Rentable beds	
Large Camps	8,918
Drill Camps	683
	<u>9,601</u>



Gold Creek Open Lodge, Grande Prairie, Alberta



Crossroads Lodge, Kitimat, British Columbia

### Rentals & Logistics Segment

The Rentals & Logistics segment revenues are comprised of rentals of relocatable structures, access mat, and other equipment as well as soil stabilization services, equipment sales and transportation and installation associated with the rentals and sales. Relocatable structures are comprised of office units, lavatory units, mine dry units, wellsite units and the associated equipment. Other equipment rentals include light towers and other miscellaneous equipment.

Relocatable structures revenues are generated by the rental and sale of single site offices, office complexes, mine dry units, well sites and various other related equipment with rental contract lengths varying from month to month up to multiyear. In addition, relocatable structures generates revenue from service activities associated with the equipment rentals and sales including mobilization and de-mobilization, installation and tear out and callout service work. Relocatable structures' customer base is relatively broad and includes mining, construction and infrastructure projects.

Matting revenues are generated from mat rental, mat sales, transportation, service associated with placing, pick-up of mats and the management of customer owned mats. Matting is used to provide a solid surface over unstable ground conditions to facilitate the movement and operation of heavy equipment. The majority of Horizon North's customers are oil and natural gas exploration and production companies, including oil sands producers, in western Canada.

Mats are offered to our customers via direct purchase or on a rental basis. Customers are charged a daily rental rate per mat plus amounts for transportation, installation and pick-up. Mats are also sold to customers with an ongoing need who choose to own their own supply. In many cases, Horizon North will manage these mats for the customer, charging for transportation, installation and pick-up, storage and general inventory management. At December 31, 2019, Horizon North was managing approximately 100,000 customer owned mats compared to 80,000 customer owned mats at the end of 2018.

Soil Stabilization revenues are generated by providing ground stabilization and modification solutions by mechanically applying additives to soil. This improves bearing capacity on low quality natural soils, reduces rutting and potholes, and decreases dust on gravel roads.

The Rentals & Logistics segment employed an average workforce of 144 people in 2019. The headcount at the end of 2019 was 141 as compared to 134 at the beginning of 2019, a result of lower new mat manufacturing production exiting the year.

There are a number of competitors in the rental market, many of which provide similar products as those provided by Horizon North.

Within the Rentals & Logistics segment, during 2019 two customers contributed greater than 10% of revenue, compared to 2018 where three customers contributed greater than 10% of revenue.

The following is an overview of Horizon North's Rentals & Logistics assets as at December 31, 2019:

Relocatable structures	778
Other equipment *	118
Rental mats	36,514
Mats managed for customers	100,000
Semi-trucks & trailers	119
Loaders & Excavators	46
Manufacturing facilities	
Mat manufacturing plant, Grande Prairie, Alberta	10,376 sq ft

\* Other equipment includes wellsites, light towers, containers, fuel tanks and rig mats.



Matting



Soil Solutions

## Business Strategy and Operating Objectives

Horizon North is a full service camps and catering, manufacturing, and transportation and logistics company. Industrial Services provide a full range of services to the energy, mining, forestry and construction sectors. Horizon North provides fully integrated solutions to its customers under this service line and has the ability to adjust the size, scope and scale for larger products and projects anywhere in Canada.

Horizon North is focused on the following initiatives:

- providing an exceptional experience for customers, guests, employees, shareholders, and business partners; and
- providing superior, safe, self-perform accommodations and related ancillary infrastructure anywhere in Canada.

## Modular Solutions

Modular Solutions consists of the design, manufacturing, transportation and installation of residential, retail and commercial modular buildings. Horizon North designs and manufactures the modular units in four facilities, located in Kamloops, British Columbia, Aldergrove, British Columbia, Calgary, Alberta and Grimsby, Ontario. The primary metric for Modular Solutions is the backlog of projects and timing of backlog execution. Modular Solutions



produces 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.

The Modular Solutions segment employed an average workforce of 556 people in 2019. The headcount at the end of 2019 was 565 as compared to 486 at the beginning of 2019, as a result of the acquisition of NRB.

Within the Modular Solutions segment, during 2019 and 2018, one customer contributed greater than 10% of the revenue.

The following is an overview of Horizon North's Modular Solutions assets as at December 31, 2019:

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Manufacturing facilities	
Kamloops, British Columbia	73,870 sq ft
Aldergrove, British Columbia	32,760 sq ft
Rocky View, Alberta	87,000 sq ft
Grimsby, Ontario	46,792 sq ft

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Hosteling International Jasper – Jasper, Alberta



Apartments and Townhomes – Grand Forks, British Columbia

## Aboriginal & Community Relations

Horizon North recognizes the importance of building lasting, transparent, trusting and mutually beneficial relationships with Aboriginal and local communities across Canada. By developing and fostering strong business relationships including opportunities for subcontracting and business capacity building, Aboriginal people, communities and Horizon North will achieve shared value, economic benefit and success in regions where we conduct business. Contributions to the economic strength of the communities Horizon North operates in are provided through recruitment, retention and advancement of local residents and Aboriginal people for long-term careers. Community support and community involvement remain key to the long-term commitment Horizon North has made to Aboriginal people and communities.

Horizon North engages with over 100 Aboriginal communities across Canada. Horizon North positively contributes to reconciliation with Aboriginal people and communities by recognizing Aboriginal and treaty rights and respect of unique languages, cultures, traditions, priorities and protocols. Horizon North strives to increase understanding of Aboriginal cultures and traditions by participating in Aboriginal celebrations and events. Through its current 33 Aboriginal business partnerships, Horizon North provides economic and employment benefits focused on shared value and success and supports opportunities for Aboriginal businesses to engage in operations and development of new projects.

Horizon North operates in or near several towns, cities and villages throughout Canada and values its relationships with those communities. We are an active participant in the communities, including participation in business

associations; as an employer recruiting local employees required to help operate our business; providing community investment; and attendance at special events and festivals in the region. This focus on community is critical to building supportive and collaborative relationships.

The commitment and dedication by Horizon North toward Aboriginal and Community Relations is demonstrated in policy and organizational structure. A corporate Horizon North Aboriginal Policy and Guiding Principles is in place, including an emphasis that all Horizon North employees and contractors are required to build and maintain relationships with Aboriginal communities that we do business with. In addition, our organization structure includes a Vice President, Aboriginal and Community Relations who reports directly to the Chief Executive Officer of Horizon North and leads a team of dedicated community engagement professionals.



**Amy Anguti – Baker/Cook**  
**Hope Bay Project, Northwest Territories**

**National Aboriginal Day – Jansen Lodge, Saskatchewan**

### Quality, Health, Safety and Environment

Quality, Health, Safety and Environment (“QHSE”), is at the heart of Horizon North’s business practices. QHSE is one of the Corporation’s top priorities and the Corporation expects these practices and standards to be integrated into all activities performed by each employee. Horizon North’s main goal is “*Achieving and maintaining incident and injury free operations*”. The Corporation’s QHSE Management System is subject to various reviews, set out below, to ensure its continuing suitability, adequacy and effectiveness to meet legislative requirements, customer requirements and QHSE objectives.

QHSE reviews include assessing for improvement opportunities and the need for changes to the QHSE Management System, including policy and objectives. A planned review by senior management is conducted to ensure the continuing suitability, adequacy and effectiveness of the QHSE Management System. The review reaffirms Horizon North’s commitment to the continual improvement of QHSE performance.

Horizon North recognizes that client satisfaction depends on the quality of service provided, and to this end, the Corporation works hard to ensure its performance exceeds its customers' expectations.



Horizon North employs an Executive Vice President QHSE, who works closely with all the operating businesses of Horizon North and reports directly to Horizon North's President and Chief Executive Officer.



Canada's Safest Employer Award – Silver Winners, Canada's Best Health and Safety Culture

## Foreign Operations

Horizon North's primary operations are in Canada and there are no active operations in the United States.

## Competitive Conditions

The industries and businesses in which Horizon North operates are highly competitive and in order to be successful, Horizon North must 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 and availability, reliability and performance of equipment, technical knowledge and experience and reputation for safety and value. Competitors offer similar services in all geographic regions in which Horizon North operates.

## Employees

As at December 31, 2019, Horizon North had 2,262 employees.

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## Risk Factors

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### 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.

### Proposed Transaction

The Proposed Transaction is subject to certain risks which include, but are not limited to, the risk that the Proposed Transaction will not receive required shareholder or regulatory approvals or that the parties may not be able to satisfy conditions to closing. In addition, there are risks associated with the ability of Horizon North to integrate Dexterra's business into its business and operations or that financial, operational and anticipated synergies and benefits may not be realized.

### Disease Outbreaks and Pandemics

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a Public Health Emergency of International Concern, and on March 11, 2020, characterized COVID-19 as a pandemic. A local, regional, national or international outbreak of a contagious disease, such as COVID-19 or other similar illnesses, could result in: a significant decline in economic activity in the regions the Corporation holds assets and conducts business in, a decrease in individuals willing to travel, imposed mobility restrictions or other quarantine measures through government regulations, and business interruptions due to outbreaks or required quarantines in one or more of the Corporation's facilities. An outbreak in one or more of the Corporation's facilities may negatively impact the Corporation's occupancy rates, manufacturing capacity or its reputation and may, if uncontrolled, result in temporary shortages of staff to the extent the Corporation's work force is impacted. While the effects of this outbreak are anticipated to be temporary, the duration and magnitude of potential business disruptions is currently unknown and may have a material adverse effect on the financial condition and financial results of the Corporation.

### 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 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 17% of total revenues in 2019 compared to two major customers who generated 39% of total revenues in 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.

## Climate Change

The major climate change-related risks are generally grouped under two categories: transition risks (a broader set of risks associated with the consequences of the global transition to a less carbon-intensive economy) and physical risks (risks that a change in climate itself could have on Horizon North's business).

### *Transition Risks*

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.

Horizon North's reputation in the eyes of its shareholders, customers, employees and the general public is an important corporate asset. However, actions and activities undertaken directly by Horizon North, or its employees, could adversely affect its reputation. In addition, Horizon North's reputation could also be adversely affected by the actions and activities of others in the industry or by events which negatively affect the image of the oil and gas industry as a whole, which Horizon North services.

### *Physical Risks*

Climate change has been linked to long-term shifts in climate patterns and increasingly frequent severe weather conditions. A number of Horizon North's customers are involved in the oil and natural gas exploration and development industry. As the level of activity in this industry is influenced by seasonal weather patterns, long term shifts in climate patterns and/or acute climate-related events (e.g. extreme temperatures, heavy snowfall, heavy rainfall or wildfires) may adversely impact Horizon North's customers, which would in turn affect the demand for Horizon North's services.

## 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

Some of Horizon North's segments are affected by the seasonality associated with the 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 other than NRB's manufacturing of classrooms which is slowest October through March.

### 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. Fortunately, Horizon North has not experienced a cyber security event and through ongoing vigilance and employee awareness strives to minimize this risk. As it is difficult to quantify the significance of such events, cyber-attacks such as significant 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, signaling their intention to adopt a new United States-Mexico-Canada Agreement ("USMCA"). The proposed USMCA was revised and subsequently signed by their respective representatives in response to disputes over labour rights, steel and aluminium. As at March 11, 2020, the agreement, replacing NAFTA, is still pending the approval of the Canadian legislature.

## Other Risks

Due to the nature of Horizon North's business, the Corporation 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.

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## Dividends and Distributions

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The following is a summary of quarterly dividends declared for each of the three most recently completed financial years:

Date declared	Rate per Horizon North Share	Record date
March 1, 2017	\$0.02	March 31, 2017
May 3, 2017	\$0.02	June 30, 2017
August 1, 2017	\$0.02	September 30, 2017
November 1, 2017	\$0.02	December 29, 2017
March 13, 2018	\$0.02	March 31, 2018
May 5, 2018	\$0.02	June 30, 2018
August 2, 2018	\$0.02	September 30, 2018
October 31, 2018	\$0.02	December 31, 2018
March 12, 2019	\$0.02	March 31, 2019
May 3, 2019	\$0.02	June 30, 2019
August 1, 2019	\$0.02	September 30, 2019
November 4, 2019	\$0.02	December 31, 2019

Horizon North's dividends are considered eligible dividends for Canadian tax purposes.

In connection with declaring dividends, the Board regularly monitors the strength of the balance sheet, cash from operations and capital requirements to ensure the overall sustainability of Horizon North is not compromised. On March 11, 2020, the Board determined to pause the Corporation's dividend in order to improve financial flexibility and exercise fiscal prudence. The Board will reevaluate the Corporation's dividend policy in conjunction with the Proposed Transaction. The amount of future cash dividends, if any, will be subject to the discretion of the Board and may vary depending on a variety of factors and conditions (see "*Risk Factors*").

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## Description of Capital Structure

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### Horizon North Shares

Horizon North is authorized to issue an unlimited number of Horizon North Shares without nominal or par value. As at December 31, 2019, a total of 165,416,904 Horizon North Shares were issued and outstanding as fully paid and non-assessable. In addition, 9,701,273 Horizon North Shares were reserved for issuance pursuant to options to purchase Horizon North Shares as at December 31, 2019.



Holders of Horizon North Shares ("**Horizon North Shareholders**") are entitled to receive notice of, to attend and to one vote per share at meetings of Horizon North Shareholders, to receive dividends if, as and when declared by the Board and to receive *pro rata* the remaining property and assets of Horizon North upon its dissolution, liquidation or winding-up, subject to the rights of shares having priority over the Horizon North Shares.

### Preferred Shares

Horizon North is authorized to issue an unlimited number of preferred shares ("**Preferred Shares**"), issuable in series, of which, as at the date hereof, none are issued and outstanding. The Preferred Shares are issuable from time to time in one or more series and will have such rights, restrictions, conditions and limitations as the Board may from time to time determine. The Preferred Shares shall rank senior to the Horizon North Shares and the shares of any other class ranking junior to the Preferred Shares with respect to the payment of dividends or distribution of assets or return of capital of Horizon North in the event of a dissolution, liquidation or winding-up of Horizon North.

### Shareholder Rights Plan

On March 23, 2015, the Corporation adopted a shareholder rights plan (the "**Rights Plan**") pursuant to a shareholder rights plan agreement between the Corporation and AST Trust Company (Canada). The Rights Plan was approved by Horizon North Shareholders on April 30, 2015. The Rights Plan has the following objectives: (a) to prevent creeping acquisitions of control of Horizon North; (b) to give adequate time for Horizon North Shareholders to properly assess a take-over bid without undue pressure; (c) to provide the Board time to consider value-enhancing alternatives to a take-over bid and to allow competing bids to emerge; and (d) to ensure that Horizon North Shareholders are provided equal treatment under a take-over bid. The Rights Plan is not intended to prevent take-over bids that treat Horizon North Shareholders fairly and has not been adopted in response to any proposal to acquire control of Horizon North. The Rights Plan encourages a potential acquirer who makes a take-over bid to proceed either by way of a "Permitted Bid" (as defined in the Rights Plan), which generally requires a take-over bid to satisfy certain minimum standards designed to promote fairness, or with the concurrence of the Board. If a take-over bid fails to meet these minimum standards, the Rights Plan provides that holders of Horizon North Shares, other than the acquirer, will be able to purchase additional Horizon North Shares at a significant discount to market, thus exposing the acquirer to substantial dilution of its holdings.

At the annual meeting of Horizon North Shareholders held on May 4, 2017, the following amendments to the Rights Plan were approved (the "**Amended and Restated Rights Plan**"):

(a) The amended definition of a "Permitted Bid" requires that a Permitted Bid remain open for a period of 105 days or such shorter minimum period that a take-over bid must remain open for deposits of securities, in the applicable circumstances, under the amendments to the Canadian take-over bid regime by the Canadian Securities Administrators ("**CSA Amendments**"), and the definition of a "Competing Permitted Bid" has also been modified to align with the minimum period such a bid must remain open under the CSA Amendments; and

(b) Certain other amendments of a non-substantive, "housekeeping" nature were made to provide for greater clarity and consistency and to ensure the Amended and Restated Rights Plan is current in respect of practices of public corporations in Canada and the definition of Exempt Acquisition has been updated in alignment with such practices.

The Amended and Restated Rights Plan is substantially the same as the Rights Plan. The Amended and Restated Rights Plan has a term of three years and will expire after the annual meeting of Horizon North Shareholders in 2020, unless it is reconfirmed at such meeting or is otherwise terminated in accordance with its terms. A copy of each of the Rights Plan and the Amended and Restated Rights Plan is available under the Corporation's profile at [www.sedar.com](http://www.sedar.com).

On March 9, 2020, in connection with the Proposed Transaction, the Board authorized the (i) waiver, subject to the consent of Horizon North Shareholders, of the application of Section 3.1 of the Rights Plan to the "Flip-In Event" (as

defined in the Rights Plan) that would result from consummation of the Proposed Transaction as a result of the sole shareholder of Dexterra becoming an "Acquiring Person" (as defined in the Rights Plan); and (ii) the extension of the Separation Time (as defined in the Rights Plan) to the date that is 10 business days following approval of the Proposed Transaction by Horizon North Shareholders. Horizon North Shareholders will be asked to consent to such waiver at a special meeting to be called to approve the issuance of Horizon North Shares to the sole shareholder of Dexterra pursuant to the Proposed Transaction.

## Market for Securities

### Trading Price and Volume of Horizon North Shares

The following table sets forth the monthly high, low and closing trading prices and the aggregate volume traded for the Horizon North Shares on the TSX to December 31, 2019 as reported by sources Horizon North believes to be reliable for the periods indicated:

Period	\$ High	\$ Low	\$ Close	Volume Traded
<b>2019</b>				
January	2.06	1.71	1.85	6,281,635
February	2.00	1.70	1.96	2,614,161
March	2.18	1.75	1.81	4,280,194
April	2.44	1.80	2.38	5,856,709
May	2.44	1.87	1.90	5,921,476
June	2.05	1.84	1.86	2,895,321
July	1.87	1.64	1.68	4,297,669
August	1.68	0.90	0.95	16,219,184
September	1.21	0.94	0.99	5,793,898
October	1.09	0.93	0.97	3,702,186
November	1.13	0.93	1.11	5,165,901
December	1.30	1.01	1.23	3,284,322

### PRIOR SALES

The following table sets forth, for each class of securities of Horizon North that is outstanding but not listed or quoted on a marketplace, the price at which securities of the class have been issued during the financial year ended December 31, 2019 and the number of securities of the class issued at that price and the date on which the securities were issued.

Description <sup>(1)(2)</sup>	Number of Securities	\$ Price per Security <sup>(3)</sup>	Date of Issuance
RSUs	6,600	N/A	February 19, 2019
Options	30,000	1.95	March 14, 2019
Options	13,200	1.81	April 1, 2019
RSUs	15,312	N/A	April 1, 2019
Options	74,500	1.95	May 31, 2019
RSUs	15,500	N/A	May 31, 2019
Options	2,473,812	1.90	June 1, 2019
RSUs	1,033,708	N/A	June 1, 2019
Options	145,000	1.95	June 6, 2019
RSUs	11,439	N/A	June 24, 2019
Options	71,500	1.78	July 15, 2019
RSUs	15,000	N/A	July 15, 2019
RSUs	14,934	N/A	September 3, 2019
Options	211,800	1.04	October 15, 2019
RSUs	52,095	N/A	October 15, 2019

Description <sup>(1)(2)</sup>	Number of Securities	\$ Price per Security <sup>(3)</sup>	Date of Issuance
RSUs	18,093	N/A	October 21, 2019
RSUs	35,013	N/A	November 7, 2019
RSUs	19,656	N/A	November 25, 2019

(1) "Options" means options to purchase Horizon North Shares pursuant to the Stock Option Plan of the Corporation.

(2) "RSUs" means cash-based restricted share units. Each RSU has a payout value equal to the closing price of the Horizon North Shares as of the date immediately preceding the applicable payout date.

(3) Represents the exercise price per Option.

## Directors and Officers

The following table sets forth the name, place of residence, date first elected as a director or appointed as an executive officer of Horizon North and positions for each of the directors and executive officers of Horizon North, together with their principal occupations during the last five years. Executive officers are appointed each year by the Board. The directors of Horizon North shall hold office until the next annual meeting of shareholders of the Corporation or until their respective successors have been duly elected or appointed.

Name, Municipality, Province and Country of Residence	Position Presently Held	Director/ Officer Since	Principal Occupation During the Preceding 5 Years
William (Bill) Anderson Calgary, Alberta, Canada	Executive Vice President QHSE	June 2006	Executive Vice President QHSE since June 2016. Prior thereto, Vice President, QHSE of Horizon North since June 2006.
Richard Ballantyne <sup>(1)(2)</sup> Salt Spring Island, British Columbia, Canada	Director	April 2015	Mr. Ballantyne is a corporate director and a professional engineer working as an independent consultant. Mr. Ballantyne was President of Terasen Pipelines from 2001 to 2005, and prior to that Mr. Ballantyne held senior positions with Trans Mountain Pipeline and BC Gas Utility Ltd.
Jan Campbell Calgary, Alberta, Canada	Corporate Secretary	June 2006	Corporate Secretary of Horizon North since June 2006 and President of Comply Inc., a consulting firm which provides corporate secretarial services, since December 2005.
Bradley Fedora <sup>(2)(3)</sup> Calgary, Alberta, Canada	Director	April 2015	Mr. Fedora is an independent businessman. Mr. Fedora was the President and CEO of Canyon Services Group Inc. from September 2007 to June 2017 when it was acquired by Trican Well Service Ltd.
Mary Garden <sup>(1)(3)</sup> Victoria British Columbia, Canada	Director	May 2016	Ms. Garden is the principal at Mary Garden & Associates, an advisory firm working with select global clients and C-Suite leaders in strategic consulting, executive coaching and workplace well-being. From 2008 to 2015, Ms. Garden led investment teams at the British Columbia Investment Management Corporation managing Canadian and international multi-billion dollar, private equity real estate portfolios for institutional pension plan clients.
Rod Graham Calgary, Alberta, Canada	President and Chief Executive Officer, Director	November 2014	President and Chief Executive Officer and a director since November 4, 2014. Prior thereto, Mr. Graham was the Senior Vice President Corporate Development and Planning of Horizon North since January 21, 2014. Prior thereto, Mr. Graham served as a director of Horizon North from January 2007 and Chair of the Board of Horizon North from May 3, 2012 to January 21, 2014. Mr. Graham was the President and Chief Executive Officer of ZCL Composites Inc. from October 1, 2010 to August 7, 2012.
Scott Matson Calgary, Alberta, Canada	Senior Vice President and Chief Financial Officer	January 2010	Senior Vice President and Chief Financial Officer since July 28, 2015. Prior thereto, Mr. Matson was Vice President Finance and Chief Financial Officer of Horizon North since January 1, 2010.

Name, Municipality, Province and Country of Residence	Position Presently Held	Director/ Officer Since	Principal Occupation During the Preceding 5 Years
Kevin Nabholz <sup>(1)(3)</sup> Calgary, Alberta, Canada	Director	May 2012	Mr. Nabholz is an independent businessman. Mr. Nabholz retired as Executive Vice President, Major Projects at Suncor Energy Inc. ("Suncor") on March 1, 2012, having been at Suncor for 25 years. Mr. Nabholz was involved in all facets of the business at Suncor, including Operations, Maintenance and Projects and in his latest role led the execution of over \$30 billion of major projects.
Russell Newmark <sup>(2)(3)</sup> Inuvik, Northwest Territories, Canada	Director	June 2006	Chief Executive Officer of E. Gruben's Transport Ltd.
Ann Rooney <sup>(1)(2)</sup> Calgary, Alberta, Canada	Director	August 2012	Ms. Rooney is an independent businesswoman. Ms. Rooney qualified as a Chartered Accountant in 1986 after working for several years as an environmental scientist with a specialty in limnology. In 2001, Ms. Rooney became a partner of Holt Rooney Chartered Accountants; a public practice firm in Calgary, Alberta. Ms. Rooney retired from public practice in 2011.
Dale E. Tremblay <sup>(2)(3)</sup> Calgary, Alberta, Canada	Director	May 2010	Mr. Tremblay is an independent businessman. From December 2009 to December 2013, Mr. Tremblay was the Chair of the Board and Chief Executive Officer of Western Energy Services Corp., an oilfield drilling and well servicing company in western Canada and portions of the United States.

(1) Member of the Audit Committee.

(2) Member of the Health, Safety, Quality & Environment Committee.

(3) Member of the Corporate Governance and Compensation Committee.

As at March 11, 2020, the current directors and executive officers of Horizon North, as a group, beneficially own, direct or control, directly and indirectly, an aggregate of 3,469,790 Horizon North Shares, representing approximately 2.29% of the outstanding Horizon North Shares.

### Cease Trade Orders, Bankruptcies, Penalties or Sanctions

#### Cease Trade Orders

No director or executive officer of Horizon North is, as at the date of this Annual Information Form, or has been, within the last 10 years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company, that:

- (i) was subject to a cease trade order or similar order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (ii) was subject to a cease trade order or similar order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

#### Bankruptcies

No director or executive officer, other than as set forth below, of Horizon North, or a shareholder holding a sufficient number of securities of Horizon North to affect materially the control of Horizon North:

- (i) is, as at the date of this Annual Information Form, or has been within the 10 years before the date of this Annual Information Form, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation regarding bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

- (ii) has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder; except,

Dale E. Tremblay was a director of GASFRAC Energy Services Inc. (“**GASFRAC**”) between May 27, 2014 and February 13, 2015. On January 15, 2015, GASFRAC commenced proceedings and obtained court protection under the *Companies’ Creditors Arrangement Act* (“**CCAA**”) pursuant to an initial order granted by the Court of Queen’s Bench in the Province of Alberta (the “**Court**”), as amended, whereby GASFRAC obtained protection from its creditors under the CCAA, other than in respect of GASFRAC’s primary secured lender. Pursuant to Court orders, dated March 27, 2015 and June 22, 2015, respectively, GASFRAC completed the sale of most of its fracturing and related assets and intellectual property to a third party oil and gas service industry competitor, effective April 7, 2015 and then completed a CCAA Plan of Compromise and Arrangement pursuant to which a third party oil and gas service industry competitor acquired 100% equity ownership of GASFRAC, as an operating entity, effective July 7, 2015; and Dale E. Tremblay was a director of ATK Oilfield Transportation Inc. (“**ATK**”), a private oilfield services company, until April 1, 2016. ATK was placed into receivership following an application by its creditors on April 1, 2016.

### Penalties or Sanctions

No director or executive officer of Horizon North, or a shareholder holding a sufficient number of securities of Horizon North to affect materially the control of Horizon North, has been subject to:

- (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### Conflicts of Interest

Circumstances may arise where members of the Board are directors or officers of corporations which are in competition or in conflict to the interests of Horizon North. Pursuant to the ABCA, a director or officer of Horizon North who is a party to a material contract or proposed material contract with Horizon North or is a director or an officer of, or has a material interest in, any person who is a party to a material contract or proposed material contract with Horizon North, is required to disclose the nature and extent of his or her interest and, subject to certain exemptions, a director shall not vote on any resolution to approve the material contract. To the best of their knowledge, the directors and officers of Horizon North are not aware of any existing or potential material conflicts of interest between Horizon North or a subsidiary of Horizon North and a director or officer of Horizon North or of a subsidiary of Horizon North.

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## Audit Committee Information

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### Audit Committee Charter

The Audit Committee of Horizon North (“**Audit Committee**”) is responsible for reviewing Horizon North’s financial reporting procedures, internal controls and the performance of the external auditors. The Audit Committee Charter of Horizon North is set forth as Appendix “A” of this Annual Information Form.

## Composition of the Audit Committee

The current members of the Audit Committee are Ann Rooney (Chair), Richard Ballantyne, Mary Garden and Kevin Nabholz. The Audit Committee is a standing committee appointed by the Board to assist the Board in fulfilling its oversight responsibilities with respect to the financial reporting by Horizon North. Each member of the Audit Committee is independent as defined under National Instrument 52-110-*Audit Committees* (“**NI 52-110**”) and none received any compensation, directly or indirectly, from Horizon North other than for services as a member of the Board and its committees, as applicable. All members of the Audit Committee are financially literate as defined in NI 52-110.

## Relevant Education and Experience of Members of the Audit Committee

### *Ann Rooney*

Ms. Rooney is an independent businesswoman. Ms. Rooney qualified as a Chartered Accountant in 1986 after working for several years as an environmental scientist with a specialty in limnology. Ms. Rooney’s professional experience includes working as a Staff Accountant and Manager with Ernst and Young LLP, an independent GST Consultant, and a Manager at AltaGas Services Inc. In 2001, Ms. Rooney became a partner of Holt Rooney Chartered Accountants; a public practice firm in Calgary, Alberta. She retired from public practice in 2011. Ms. Rooney has had extensive involvement with the Institute of Chartered Accountants of Alberta including serving as president from 1996 to 1997. In 1996, Ms. Rooney was awarded an FCA (Fellow of the Chartered Accountants) in recognition of her meritorious service to the accounting profession and the community. Ms. Rooney earned the ICD.D professional designation in 2010.

### *Richard Ballantyne*

Mr. Ballantyne is a professional engineer and independent corporate director. With more than 30 years in the processing and refinery business, Mr. Ballantyne was President of Terasen Pipelines from 2001 to 2005 and held senior positions with Trans Mountain Pipeline and BC Gas Utility Ltd. Mr. Ballantyne has served on several public, private and association boards. Mr. Ballantyne is a graduate of the University of British Columbia in mechanical engineering, attended the Banff School of Advanced Management, and is a certified director through the Institute of Corporate Directors.

### *Mary Garden*

Ms. Garden has over 30 years of executive leadership experience in business including operations and marketing management, advisory consulting, coaching and university teaching. Over the course of her career, Ms. Garden has worked in executive level positions with PwC, Delta Hotels, PKF, Holiday Inn, Radisson Hotels and Keg Restaurants. From 2008 to 2015, Ms. Garden led investment teams at the British Columbia Investment Management Corporation managing Canadian and international multi-billion dollar, private equity real estate portfolios for institutional pension plan clients. Ms. Garden has served on the boards of Bentall Kennedy, Parkbridge Lifestyle Communities, Delta Hotels, bcIMC Realty Corporation and SilverBirch Hotels & Resort. Ms. Garden is the principal at Mary Garden & Associates, an advisory firm working with select global clients and C-Suite leaders in strategic consulting, executive coaching and workplace well-being. Ms. Garden has a BA and MBA from the University of British Columbia and holds the ICD.D designation.

### *Kevin Nabholz*

Mr. Nabholz is an independent businessman. Mr. Nabholz has over 30 years of experience in the oil sands industry. Mr. Nabholz retired as Executive Vice President, Major Projects at Suncor on March 1, 2012, having been at Suncor for 25 years. Mr. Nabholz was involved in all facets of the business at Suncor, including Operations, Maintenance and Projects and in his latest role led the execution of over \$30 billion of major projects. Mr. Nabholz has served on a number of private company boards, as well as not for profit entities including the Northern Alberta Institute of Technology, Construction Owners Association of Alberta, Keyano College Foundation, the United Way of Fort McMurray and several others.



## Pre-Approval of Policies and Procedures

The Audit Committee has delegated to the Chair of the Audit Committee (or such other member of the Audit Committee who may be delegated authority), the authority to act on behalf of the Audit Committee between meetings of the Audit Committee with respect to the approval of audit and permitted non-audited services provided by KPMG LLP. The Audit Committee is required to be notified of any approved services over and above audit and tax. The Chair reports on any such approved services at the next meeting of the Audit Committee.

## Auditor Service Fees

The following table provides information about fees to Horizon North and its affiliates for professional services rendered by KPMG LLP, Horizon North's external auditor, during the financial years ended December 31, 2019 and December 31, 2018:

Type of service provided (all figures in Cdn \$)	Year ended December 31, 2019	Year ended December 31, 2018
Audit fees (including quarterly reviews)	\$429,500	\$382,500
Audit-related fees	Nil	105,000
Tax Fees	Nil	Nil
All other fees	80,000	Nil
<b>Total</b>	<b>\$509,500</b>	<b>\$487,500</b>

## Legal Proceedings and Regulatory Actions

Horizon North is not involved in any legal proceedings that it believes might have a material adverse effect on its business or its results of operations.

During the course of the year ended December 31, 2019, Horizon North was not subject to any penalties or sanctions imposed by a court in relation to securities legislation or by a securities regulatory authority, has not entered into a settlement agreement with a regulatory authority or been a subject of any other penalties or sanctions imposed by a court or a regulatory authority and has not entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

## Interest of Management and Others in Material Transactions

Management of Horizon North is not aware of any material interest, direct or indirect, of any director or executive officer of Horizon North, any shareholder of Horizon North that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Horizon North Shares or any associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect Horizon North.

## Transfer Agent and Registrar

AST Trust Company (Canada), through its principal offices in Calgary, Alberta and Toronto, Ontario, is the transfer agent and registrar of the Horizon North Shares.

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## Material Contracts

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The Corporation has not entered into any material contracts during the financial year ended December 31, 2019 or before that financial year that are still in effect other than contracts entered into in the ordinary course of business and the Rights Plan which is described under “*Description of Capital Structure - Shareholder Protection Rights Plan*” and is available on the Corporation’s SEDAR profile located at [www.sedar.com](http://www.sedar.com).

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## Interests of Experts

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There is no person or company whose profession or business gives authority to a report, valuation, statement or opinion made by such person or company and who is named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under NI 51-102 by Horizon North during, or related to, its most recently completed financial year other than KPMG LLP, Chartered Professional Accountants, the external auditors of Horizon North.

KPMG LLP, Chartered Professional Accountants, is the auditor of Horizon North and have confirmed that they are independent with respect to Horizon North within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of Horizon North.

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## Additional Information

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Additional information concerning Horizon North is available through the internet on Horizon North’s profile on the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) which may be accessed at [www.sedar.com](http://www.sedar.com).

Additional information, including information regarding Horizon North’s directors’ and officers’ remuneration, information on principal holders of Horizon North Shares and securities authorized for issuance under equity compensation plans is contained in Horizon North’s Management Information Circular prepared in connection with its most recent annual meeting of Horizon North Shareholders.

Additional financial information is provided in Horizon North’s Audited Consolidated Financial Statements and Management’s Discussion and Analysis for the year ended December 31, 2019, which are contained in Horizon North’s December 31, 2019 Annual Report. Copies of such documents may be obtained in the manner set forth above.

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## APPENDIX 'A'

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### Audit Committee Charter

#### Purpose

The primary function of the Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) is to assist the Board in fulfilling its oversight responsibilities:

- (a) by reviewing, prior to their public release, all material financial information required to be gathered and disclosed by the Corporation, to the public;
- (b) to oversee management designed and implemented accounting systems and internal controls; and
- (c) to recommend, engage, supervise, arrange for the compensation and ensure the independence of the external auditor to the Corporation.

#### Structure and Authority

1. The Corporation, as a reporting issuer, must have a Committee that complies with National Instrument 52-110 (“**NI 52-110**”). The Committee must be comprised of at least three members of the Board to serve at the pleasure of the Board. Each member will at all times be independent and financially literate as those terms are defined in NI 52-110 and possess the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.
2. The Committee is required to meet in person, or by telephone conference call, at least once each quarter and as often thereafter as required to discharge the duties of the Committee.
3. The Chair of the Committee, appointed by the Board will, in consultation with the members, determine the schedule, time and place of meetings, and in consultation with management, establish the agenda for meetings.
4. A quorum for a meeting of the Committee shall be a majority of members present in person or by telephone conference call.
5. Notice of the time and place of every meeting shall be given in writing, by email or facsimile to each member of the Committee at least 24 hours prior to the time fixed for such meeting, provided that a member may in any manner waive a notice of meeting.

#### Duties and Responsibilities

6. The Committee’s primary duties and responsibilities are to:
  - (a) monitor the management of the principal risks that could impact the financial reporting of the Corporation;
  - (b) monitor the integrity of the Corporation’s financial reporting process and system of internal controls regarding financial reporting and accounting compliance;

- (c) be satisfied and obtain reasonable assurance from the external auditors that effective internal controls and management information systems are in place;
  - (d) ensure that the external auditor reports directly to the Committee.
7. The Committee must have the authority to:
- (a) inspect any and all of the books and records of the Corporation, its subsidiaries and affiliates;
  - (b) engage independent counsel and other advisors as it determines necessary to carry out its duties;
  - (c) set and instruct the Corporation to pay the compensation for any advisors employed by the Committee; and
  - (d) communicate directly with the internal and external auditors of the Corporation.
8. The Committee shall, at the earliest opportunity after each meeting, report to the Board the results of its activities and any reviews undertaken and make recommendations to the Board as deemed appropriate.
9. The Committee shall be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of any disagreements between management and the external auditor regarding financial reporting.
10. The Committee shall:
- (a) review the audit plan with the Corporation's external auditors and with management;
  - (b) discuss with management and the external auditors any proposed changes in major accounting policies or principles, the presentation and impact of significant risks and uncertainties and key estimates and judgments of management that may be material to financial reporting;
  - (c) review with management and with the external auditors significant financial reporting issues arising during the most recent fiscal period and the resolution or proposed resolution of such issues;
  - (d) review any problems experienced or concerns expressed by the external auditors in performing an audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
  - (e) review with senior management the process of identifying, monitoring and reporting the principal risks affecting financial reporting;
  - (f) establish a periodic review procedure to ensure that the external auditor compliance with the Canadian Public Accountability regime under National Instrument 52-108 – *Auditor Oversight*;
  - (g) review audited annual financial statements and related documents in conjunction with the report of the external auditors;
  - (h) before release, review and recommend for approval by the Board, all public disclosure documents containing audited or unaudited financial information, including any prospectuses, annual reports, annual information forms, management discussion and analysis and material press releases;

- (i) be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and must periodically assess the adequacy of such procedures.
11. The Committee shall:
- (a) evaluate the independence and performance of the external auditors and annually recommend to the Board the appointment of the external auditor, and their compensation, or the discharge of the external auditor when circumstances are warranted;
  - (b) consider the recommendations of management in respect of the appointment of the external auditors;
  - (c) pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by its external auditors', or the external auditors of the Corporation's subsidiary entities; and
  - (d) approve the engagement letter for non-audit services to be provided by the external auditors or affiliates, together with estimated fees, and considering the potential impact of such services on the independence of the external auditors.
12. The Committee shall:
- (a) review with management at least annually, the financing strategy and plans of the Corporation; and
  - (b) review all securities offering documents (including documents incorporated therein by reference) of the Corporation.
13. The Committee shall review the amount and terms of any insurance to be obtained or maintained by the Corporation with respect to risks inherent in its operations and potential liabilities incurred by the directors or officers in the discharge of their duties and responsibilities.
14. Together with the Board, ensure policies and procedures are in place and are effective to maintain the integrity of the Corporation's internal controls for financial reporting and management information systems.
15. The Committee must establish procedures for:
- (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
  - (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
16. The Committee must review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.

The Committee shall conduct an annual review and assessment of its performance including compliance with this Charter, and its role, duties and responsibilities.