HORIZON NORTH

Annual Report 2019

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This Management's Discussion and Analysis ("MD&A"), prepared as at March 11, 2020, focuses on key statistics from the Consolidated Financial Statements and pertains to known risks and uncertainties relating to the business carried on by Horizon North Logistics Inc. ("Horizon North" or the "Corporation"). This MD&A should be read in conjunction with the Corporation's audited Consolidated Financial Statements for the years ended December 31, 2019 and 2018 and the Annual Information Form for the year ended December 31, 2019. This discussion should not be considered all-inclusive, as it does not attempt to include changes that may occur in general economic, political and environmental conditions. This MD&A contains non-GAAP financial measures, such as EBITDAS, which do not have a standardized meaning under GAAP and, therefore, may not be comparable to similar measures presented by other issuers. For definitions, reconciliations and further information please see the "Non-GAAP Financial Measures" section of this MD&A.

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

About Horizon North

Horizon North is a publicly listed corporation (TSX: HNL.TO) providing a full range of industrial, commercial, and residential products and services under its two operating divisions: Industrial Services and Modular Solutions. The Industrial Services business includes workforce accommodations, camp management services, access solutions, maintenance and utilities. The 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, industrial 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.

Annual Key Comments

- On March 9, 2020, Horizon North and 10647802 Canada Limited, operating as Dexterra Integrated Facilities Management ("Dexterra", a wholly-owned subsidiary of Fairfax Financial Holdings Limited), announced an agreement to combine the two companies (the "Proposed Transaction"). Horizon North will acquire all of the outstanding shares of Dexterra in exchange for Horizon North issuing Fairfax Financial such number of common shares of Horizon North such that Fairfax Financial will own 49% of Horizon North Shares on a fully-diluted basis after completion of the Proposed Transaction. The Proposed Transaction requires shareholder approval, receipt of certain stock exchange and regulatory approvals, including from the Canadian Competition Bureau, and satisfaction of other customary conditions;
- Horizon North had EBITDAS of $8.2 million and $30.5 million for the three months and year ended December 31, 2019, respectively, compared to EBITDAS of $13.7 million and $36.7 million for the three months and year ended December 31, 2018;
- The Industrial Services business had 2019 revenue of $282.2 million, an increase of 7% from 2018. EBITDAS for the same period were $40.3 million, a decrease of $0.3 million when compared to 2018;
- The Modular Solutions business had revenue of $180.5 million for 2019, a 36% increase from 2018. EBITDAS for the same period were $4.0 million, a decrease of $6.5 million from 2018. Backlog exiting the year was $61.7 million, excluding the Fairfield by Marriott, compared to $88.8 million at December 31, 2018. The funnel of high-quality, high probability sales opportunities increased, exiting the year at $298.3 million compared to $290.0 million at December 31, 2018. Subsequent to December 31, 2019 Horizon North was awarded a significant commercial contract for a hotel project in British Columbia that will begin manufacturing in the second half of 2020;
- As a result of the carrying amount of the net assets of the Corporation exceeding the market capitalization, continued market uncertainty, and the Proposed Transaction, the Corporation completed an impairment test for each of its cash generating units ("CGUs") as at December 31, 2019. The results of the tests indicated impairment of $85.2 million for the Camp & Catering CGU as at December 31, 2019 (2018 - nil), of which $17.2 million was attributed to the carrying amount of the CGU's goodwill. The impairment loss was partially offset by a deferred tax recovery of $16.7 million, for a net impact of $68.5 million on net income;
- Horizon North was awarded a contract for significant occupancy of the Corporation's Crossroads Lodge located in Kitimat, British Columbia. Minimum revenue is expected to be approximately $31 million over the contract term, which began in the second quarter of 2019. Construction of Crossroads Lodge was substantially complete as of December 31, 2019 and was fully complete as of February 5, 2020;
- Horizon North was awarded a contract for provision of temporary construction modular units and large complexes, for a client supporting LNG development, that are continuing to be constructed in the Corporation's modular manufacturing facilities. Rental revenue on some of these units began near the end of 2019 and construction is expected to be significantly complete by the end of the third quarter of 2020;

- The Corporation has committed to the design and construction of a 120-room, five-story modular Fairfield by Marriott located on the Corporation's Crossroads land parcel in Kitimat, British Columbia, with anticipated completion and sale in the second half of 2020;
- April 1, 2019 marked the successful completion of the acquisition (the "NRB Acquisition") of NRB Inc. ("NRB"), a significant step in the Corporation's pan-Canadian growth strategy. NRB generated EBITDAS of $4.8 million in 2019 and contributed backlog of $14.4 million as of December 31, 2019;
- In order to improve financial flexibility and to exercise fiscal prudence in light of increased market uncertainty the Board of Directors of the Corporation (the "Board") has made the decision to pause the Corporation's dividend. The Board will reevaluate the Corporation's dividend policy in conjunction with the Proposed Transaction; and
- Horizon North reached an agreement with its lenders to amend its credit facility effective March 10, 2020. Refer to the "Outlook" section under Statement of Financial Position for further information.

Annual Financial Summary

	Years ended December 31,				
(000's except per share amounts)	2019	% change	2018	% change	2017
Revenue	$ 458,096	16	$ 394,245	—	$ 324,082
EBITDAS[(1)]	30,530	(17)	36,683	22	30,045
EBITDAS as a % of revenue[(2)]	7%		9%		9%
Operating loss before impairment	(19,937)	173	(7,296)	23	(5,935)
Operating loss	(105,127)	1,341	(7,296)	23	(5,935)
Operating loss as a % of revenue	(23%)		(2%)		(2%)
Net loss before impairment	(16,314)	99	$ (8,196)	5	(7,843)
Impairment loss	(85,190)		—		—
Tax recovery from impairment loss	16,718		—		—
Net loss	(84,786)	934	$ (8,196)	5	(7,843)
Net comprehensive loss	(84,792)	935	(8,196)	4	(7,846)
Loss per share					
Basic	$ (0.51)		$ (0.05)		$ (0.05)
Diluted	$ (0.51)		$ (0.05)		$ (0.05)
Total assets	$ 484,913	3	$ 472,410	(2)	$ 479,750
Total loans and borrowings	108,066	241	31,666	(58)	74,604
Funds flow	21,680	(39)	35,315	(36)	55,308
Net Capital spending (proceeds)	61,259	180	21,866	(192)	(23,830)
Total Debt to Adjusted EBITDAS[(3)]	4.67:1:00		0.86:1:00		2:48:1.00
Debt to total capitalization ratio[(4)]	0.31:1:00		0.09:1:00		0.19:1.00
Dividends declared	$ 13,212		$ 12,762		$ 11,573
Dividends declared per share	$ 0.08		$ 0.08		$ 0.08

(1) EBITDAS (Earnings before interest, taxes, depreciation, amortization, share based compensation, impairment and gain/loss on disposal of property, plant and equipment) is not a recognized measure under IFRS. Management believes that in addition to total profit and total comprehensive income, EBITDAS is a useful supplemental earnings measure as it provides an indication of the Corporation's operating performance and it is regularly provided to and reviewed by the Chief Operating Decision Maker. Horizon North's method of calculating EBITDAS may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities. Please refer to "Non-GAAP Financial Measures" for the definitions of Non-GAAP and additional GAAP measures and a reconciliation to the nearest GAAP measure.

(2) EBITDAS as a % of revenue is a Non-GAAP ratio which is calculated by dividing EBITDAS, a Non-GAAP financial measure, by revenue. Please refer to "Non-GAAP Financial Measures" for the definition of EBITDAS and a reconciliation to the nearest GAAP measure.

(3) Please refer to Liquidity and Capital Resources section of the Management's Discussion and Analysis for the definitions of Total Debt to EBITDAS.

(4) Please refer to "Non-GAAP Financial Measures" for the definitions of Non-GAAP and additional GAAP measures and reconciliation of Net loss to EBITDAS.

Annual Overview

Results for the year ended December 31, 2019 were somewhat mixed in relation to the comparative year ended December 31, 2018 ("2018" or the "comparative year"). The revenue increase compared to 2018 was driven by the NRB Acquisition in the Modular Solutions business and increased manufacturing capacity, along with increased camp rental and catering revenue, partially offset by decreased Camp & Catering segment revenues from equipment sales as a result of a sizeable equipment sale in 2018.

Industrial Services

Revenues from Industrial Services for 2019 increased by 7% compared to 2018 primarily due to increased camp rental and catering revenue as well as catering only activity. Catering only activity increased 21% in 2019 compared to 2018, with revenue per catering only day lower by 5% as a result of different contract mix. Rentals & Logistics revenues increased by 12% in 2019 compared to 2018 primarily due to an increase in installation and transportation revenue.

Modular Solutions

Modular Solutions revenues for 2019 were 36% higher than 2018 primarily as a result of the NRB Acquisition, partially offset by the decreased activity and backlog in Western Canada. The manufacturing capacity available in 2019 increased significantly from 2018 as a result of the acquisition of the Calgary, Alberta facility in November 2018 and the completion of the NRB Acquisition in April 2019 allowing for further manufacturing expansion into 2020.

Other Financial Measures

Horizon North's 2019 EBITDAS decreased by $6.2 million, or 17%, compared to 2018. As a percentage of revenue, EBITDAS were 7% compared to 9% in 2018. The decrease in EBITDAS compared to 2018 was primarily driven by the decrease in Modular Solutions EBITDAS which was due to decreased activity in Western Canada.

Total Loans and Borrowings, which excludes the lease liabilities from the adoption of IFRS 16 - Leases ("IFRS 16"), were $108.1 million at December 31, 2019 compared to $30.8 million at December 31, 2018. As a result of the increased debt and lower EBITDAS, the total debt to EBITDAS ratio was 4.67:1:00 at December 31, 2019 compared to 0.86:1:00 at December 31, 2018.

Impact of IFRS 16 - Leases on EBITDAS

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

The Corporation has applied IFRS 16 using the modified retrospective method and therefore the comparative information has not been restated and continues to be reported under IAS 17. Under IFRS 16, lease costs are reflected on the statement of comprehensive income (loss) through depreciation and interest expense, resulting in an increase to EBITDAS.

The modified retrospective method resulted in a one-time adjustment of a $26.6 million addition of right-of-use assets, offset by an existing $2.0 million prepaid land lease and $24.6 million in lease liabilities with no changes in retained earnings on January 1, 2019. The Corporation made payments of $1.7 million for the three months ended December 31, 2019 and $6.2 million for the year ended December 31, 2019 related to its lease obligations and recorded right-of-use asset depreciation of $1.2 million for the three months ended December 31, 2019 and $5.8 million for the year ended December 31, 2019. Lease interest charges were $0.4 million and $1.5 million for the three months and year ended December 31, 2019, respectively. As a result of the adoption of IFRS 16, EBITDAS was positively impacted by $7.4 million for 2019.

Outlook

In 2020, Horizon North will continue to diversify both its portfolio of offerings and customer base through its two operating divisions: Industrial Services and Modular Solutions.

Proposed Transaction

On March 9, 2020, Horizon North and Dexterra, a wholly-owned subsidiary of Fairfax Financial Holdings Limited, announced 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 Share Purchase Agreement that will be available on Horizon North's profile on SEDAR at www.sedar.com. The Proposed Transaction will combine Horizon North's strong western Canadian focused workforce accommodation and national modular solutions businesses with Dexterra's asset light facilities management platform and central Canadian focused workforce accommodations businesses. This highly complementary platform is expected to better serve current and future customers. The new company will be a leader in support services with over 6,800 employees across Canada. The combined entity expects significant cross-selling opportunities across its combined platform as well as annual cost synergies of $5.0 million.

Industrial Services

Horizon North is a leading provider of turn-key workforce accommodation, hospitality, access and maintenance services with continued focus on the following four key areas:

- West Coast Hydrocarbon Terminals/Liquefied Natural Gas
    - Horizon North continues to drive forward on the first phase of development of its 57-acre parcel of land located in Kitimat, British Columbia. The first 536 beds of its world-class Crossroads Lodge were operational by the

end of Q4 2019 with the balance of the 736-bed facility operational in Q1 2020. In Q3 2019, Horizon North was awarded a contract for significant occupancy of the Crossroads Lodge in support of ongoing LNG development activities in the area as well as a contract for provision of temporary construction modular units and large complexes, for a client supporting LNG development, that will be constructed in the Corporation's modular manufacturing facilities.

- ◦ Activity continues on previously announced contracts to provide equipment, catering, hospitality and operations services for camps in support of construction work on the Coastal GasLink Project in northern British Columbia. Horizon North continues to aggressively pursue opportunities related to additional Western Canadian pipeline infrastructure projects.
- ◦ Horizon North continues to focus on capturing additional opportunities relative to announced and potential projects related to hydrocarbon shipping terminals and LNG projects on the west coast.

- Montney/Duvernay - Oil and natural gas development and related infrastructure activity in this region remained down in Q4 2019 with continued market headwinds expected for 2020. Horizon North is the largest provider of contracted and open camp services in this area and will continue to leverage existing assets, strategic locations and key customer relationships to build market share and position for expected future growth and infrastructure projects in the region.

- Oil Sands - Horizon North expects to leverage its strong operational footprint and experience to pursue both full turn-key opportunities and long-term catering and hospitality opportunities in existing customer-owned facilities underpinned by prominent relationships with Aboriginal communities north and south of Fort McMurray.

- Northern Canada - Horizon North has a long history and expertise in providing hospitality, management and maintenance services across Canada's northern regions. Early opportunities within the Northwest Ontario mining and power infrastructure sectors have been captured and we continue to pursue expansion opportunities with key clients in terms of their Arctic development plans. Horizon North will continue to focus on developing and expanding its capabilities and footprint across Canada's highly variable and remote northern regions.

Modular Solutions

The Corporation anticipates a balance between government sponsored housing and both industrial and commercial projects in its Modular Solutions segment in 2020. Results for 2019 included the effects of several project delays and deferrals from earlier in the year, which impacted backlog and activity in Western Canada and resulted in decreased activity and margins which were only partially offset by the addition of NRB. Horizon North's focus will remain on growing backlog and on optimizing execution of modular construction projects while developing and expanding its product offerings to serve a variety of customers and end markets. In addition, a portion of manufacturing capacity in 2020 will be utilized for modular units and large complexes associated with the Corporation's contract with a client supporting LNG development in British Columbia and the development of the Fairfield by Marriott.

April 1, 2019 marked the successful completion of the NRB Acquisition, a significant step in the Corporation's pan-Canadian growth strategy which provides manufacturing capacity in southern Ontario. The integration of NRB into the Horizon North business was completed in 2019 with focus now on opportunities to expand NRB's historical product and service offering, particularly in the social and affordable housing space.

The Modular Solutions division is well positioned to benefit from the increased Federal support for affordable and social housing following the Federal election on October 21, 2019 through the demonstrated success of the affordable and social housing strategy and execution in Western Canada combined with the addition of southern Ontario manufacturing capacity from the NRB Acquisition. Horizon North will continue to explore opportunities across Canada to grow the affordable and social housing backlog and increase the number of projects.

Statement of Financial Position

In 2019, Horizon North took several capital-intensive steps in the development of its unique, pan-Canadian service model. These steps included the mobilization of the first phase of the Kitimat Crossroads Lodge, beginning development of a 120-room Fairfield by Marriott hotel in Kitimat, British Columbia, the NRB Acquisition and a robust capital program, which together increased the Corporation's leverage position exiting 2019.

The Corporation's elevated leverage position is expected to continue through the majority of 2020 as the Corporation completes two major projects: First is the completion and sale of the Fairfield by Marriott hotel which is anticipated in the second half of 2020; Second is the capital commitments associated with the contract for temporary construction modular units and large complexes for a client supporting LNG developments with construction expected to be substantially complete by the end of the third quarter of 2020. Completion of these two projects will significantly reduce the temporary strain on liquidity and help reduce the elevated leverage position as the cash generated from the hotel sale combined with rental revenues of the modular units and large complexes being constructed will be used to pay down existing debt. 2020 capital spending will be focused on these specific projects and required maintenance capital needed to maintain operations. In the interim, the Corporation has increased its available liquidity by negotiating a $15.0 million temporary increase to its credit facility and additional covenant flexibility. In addition, the Corporation has improved its financial flexibility and applied fiscal prudence in light of increased market uncertainty by pausing the dividend.

As a result, the Corporation expects that the current credit facility, the temporary facility and cash flows from operating activities will be adequate to fund its future plans. The Corporation expects to allocate future net cash flows in order to appropriately balance the objectives of reducing its overall level of indebtedness, completing previously committed capital projects and minimal maintenance capital requirements.

Annual Financial Results

	Twelve months ended December 31, 2019				
(000's, except per share amounts)	Industrial Services	Modular Solutions	Corporate	Eliminations	Total
Revenue	$ 282,239	$ 180,474	$ —	$ (4,617)	$ 458,096
Expenses					
Direct costs	237,032	168,526	(362)	(4,115)	401,081
Selling & administrative expenses	4,492	7,972	13,621	—	26,084
Loss from equity investments	401	—	—	—	401
EBITDAS	$ 40,314	$ 3,976	$ (13,259)	$ (501)	$ 30,530
EBITDAS as a % of revenue	14%	2%			7%
Share based compensation	696	300	2,835	—	3,831
Depreciation & amortization	40,830	5,783	600	(8)	47,206
(Gain) loss on disposal of property, plant and equipment	(183)	32	(18)	—	$ (169)
Operating loss before impairment, including loss from equity investments	(1,029)	(2,140)	(16,675)	(495)	(20,339)
Impairment Loss	85,190	—	—	—	85,190
Operating loss, including loss from equity investments	$ (86,219)	$ (2,140)	$ (16,675)	$ (495)	(105,528)
Finance costs					6,043
Loss on investments					434
Income tax recovery					(27,219)
Net loss					$ (84,786)
Other comprehensive income					(6)
Net comprehensive loss					(84,792)
Loss per share - basic and diluted					$ (0.51)

	Twelve months ended December 31, 2018				
(000's, except per share amounts)	Industrial Services	Modular Solutions	Corporate	Eliminations	Total
Revenue	$ 264,269	$ 133,155	$ —	$ (3,179)	$ 394,245
Expenses					
Direct costs	219,750	119,385	—	(3,179)	335,956
Selling & administrative expenses	4,550	3,304	13,752	—	21,606
Earnings from equity investments	(67)	—	—	—	(67)
EBITDAS	$ 40,036	$ 10,466	$ (13,752)	$ —	$ 36,750
EBITDAS as a % of revenue	15%	8%	—	—	9%
Share based compensation	507	216	2,028	—	2,751
Depreciation & amortization	39,466	1,395	425	3	41,289
(Gain) loss on disposal of property, plant and equipment	(715)	245	409	—	(61)
Operating earnings (loss)	$ 778	$ 8,610	$ (16,614)	$ (3)	$ (7,229)
Finance costs					2,894
Income tax recovery					(1,927)
Net loss					$ (8,196)
Other comprehensive income					—
Net comprehensive loss					(8,196)
Loss per share - basic and diluted					$ (0.05)

Fourth Quarter Overview

Revenue for the three months ended December 31, 2019 ("Q4 2019") decreased by 8% compared to the three months ended December 31, 2018 ("Q4 2018"), mainly due to a decrease in Modular Solutions revenue from decreased activity in Western Canada.

Industrial Services

Revenues from Industrial Services for Q4 2019 decreased by 2% compared to Q4 2018 primarily due to decreased camp rental and catering revenue. This was partially offset by a 34% increase in catering only activity in Q4 2019 compared to Q4 2018, with revenue per catering only day lower by 8% as a result of different contract mix. Rentals & Logistics revenues increased by 36% in Q4 2019 compared to Q4 2018 primarily due to an increase in installation and transportation revenue.

The operating profit before impairment of $0.6 million for Q4 2019 was 52% lower than the $1.3 million profit in Q4 2018. An $85.2 million impairment loss was recorded as at December 31, 2019. The impairment loss related to the Camp & Catering CGU and $17.2 million was attributed to the carrying amount of the goodwill, with the remaining $68.0 million allocated to camp facilities assets.

Modular Solutions

Modular Solutions revenues for Q4 2019 were 10% lower than Q4 2018 primarily as a result of the decreased activity and backlog in Western Canada, partially offset by the NRB Acquisition.

Other Financial Measures

Horizon North's Q4 2019 EBITDAS decreased by $5.5 million, or 40%, compared to Q4 2018. As a percentage of revenue, EBITDAS was 8% compared to 12% in Q4 2018. The decrease in EBITDAS compared to Q4 2018 was primarily driven by the decrease in Modular Solutions EBITDAS which was due to decreased activity in Western Canada.

Fourth Quarter Financial Results

	Three months ended December 31, 2019				
(000's, except per share amounts)	Industrial Services	Modular Solutions	Corporate	Eliminations	Total
Revenue	$ 72,886	$ 39,397	$ —	$ (4,122)	$ 108,160
Expenses					
Direct costs	58,636	37,772	(157)	(3,748)	92,502
Selling & administrative expenses	1,003	2,298	3,763	—	7,064
Loss from equity investments	401	—	—	—	401
EBITDAS	$ 12,845	$ (673)	$ (3,605)	$ (375)	$ 8,192
EBITDAS as a % of revenue	18%	(2)%	—	—	8%
Share based compensation	160	42	514	—	716
Depreciation & amortization	11,977	1,665	143	(2)	13,783
(Gain) loss on disposal of property, plant and equipment	69	4	(4)	—	69
Operating (loss) income before impairment, including equity investment	640	(2,384)	(4,258)	(373)	(6,375)
Impairment loss	85,190	—	—	—	85,190
Operating loss, including equity investment	$ (84,550)	$ (2,384)	$ (4,258)	$ (373)	$ (91,565)
Finance costs					1,857
Loss on investments					—
Income tax recovery					(18,883)
Net loss					$ (74,539)
Other comprehensive income					(7)
Net comprehensive loss					(74,546)
Loss per share - basic and diluted					$ (0.45)

	Three months ended December 31, 2018				
(000's, except per share amounts)	Industrial Services	Modular Solutions	Corporate	Eliminations	Total
Revenue	$ 74,429	$ 43,779	$ —	$ (163)	$ 118,045
Expenses					
Direct costs	62,379	36,495	—	(163)	$ 98,711
Selling & administrative expenses	981	780	3,919	—	$ 5,680
EBITDAS	$ 11,069	$ 6,504	$ (3,919)	$ —	$ 13,654
EBITDAS as a % of revenue	15%	15%	—	—	12%
Share based compensation	134	63	481	—	678
Depreciation & amortization	9,711	385	91	5	10,192
(Gain) loss on disposal of property, plant and equipment	(102)	237	409	—	544
Operating profit (loss)	$ 1,326	$ 5,819	$ (4,900)	$ (5)	$ 2,240
Finance costs					374
Income tax expense					453
Net loss					$ 1,413
Other comprehensive loss					—
Net comprehensive loss					1,413
Earnings per share - basic					$0.01

Industrial Services

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

	Three months ended December 31,			Twelve months ended December 31,		
(000's)	2019	2018	% change	2019	2018	% change
Camp & Catering	$ 60,580	$ 65,357	(7)	$ 232,746	$ 220,117	6
Rentals & Logistics	12,306	9,072	36	49,493	44,152	12
Total revenue	72,886	74,429	(2)	282,239	264,269	7
EBITDAS	$ 12,845	$ 11,069	16	$ 40,314	$ 39,969	1
EBITDAS as a % of revenue	18%	15%		14%	15%	
Operating profit (loss) before impairment	$ 640	$ 1,326	(52)	$ (1,030)	$ 711	(245)
Operating profit (loss)	$ (84,550)	$ 1,326	(6,477)	$ (86,220)	$ 711	(12,233)

Camp & Catering Segment

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

	Three months ended December 31,			Twelve months ended December 31,		
(000's except for operational metrics)	2019	2018	% change	2019	2018	% change
Camp rental and catering revenue	$ 44,199	$ 51,432	(14)	$ 174,674	$ 165,663	5
Catering only revenue	16,216	12,109	34	57,011	47,132	21
Equipment sales revenue	165	1,816	(91)	1,061	7,322	(86)
Total revenue	60,580	65,357	(7)	232,746	220,117	6
EBITDAS	$ 10,492	$ 8,440	24	$ 27,286	$ 27,565	(1)
EBITDAS as a % of revenue	17%	13%		12%	13%	
Operating income (loss) before impairment	$ 1,457	$ 1,303	11	$ (3,271)	$ (2,086)	36
Impairment loss	85,190	—		85,190	—	
Operating income (loss)	$ (83,733)	1,303	(6,528)	$ (88,461)	(2,086)	4,141
Camp rental and catering revenue						
Bed rental days [(1)]	392,033	481,185	(19)	1,626,298	1,692,280	(4)
Revenue per bed rental day	$ 113	$ 107	5	$ 107	$ 98	10
Rentable beds at period end	9,601	9,635	—	9,601	9,635	—
Average rentable beds [(2)]	9,549	9,613	(1)	9,564	9,554	—
Utilization [(3)]	43%	55%	(22)	47%	49%	(4)
Catering only revenue						
Catering only days[(4)]	169,755	116,226	46	600,377	473,604	27
Revenue per catering only day	$ 96	$ 104	(8)	$ 95	$ 100	(5)

(1) One bed rental day represents the provision of one bed for one day under a combined rental and catering manday rate, or the provision of one bed for one day under an equipment rental rate for dedicated camp equipment.
(2) Average rentable beds are equal to total average beds in the fleet over the period less beds required for staff.
(3) Utilization equals the total number of bed rental days divided by average rentable beds in the period.
(4) One catering only day equals the provision of catering and housekeeping services with no related bed rental for one day.

Revenues from the Camp & Catering segment for Q4 2019 were $60.6 million, a decrease of $4.8 million or 7% compared to Q4 2018. The decrease in Q4 2019 segment revenues was primarily due to a decrease in camp rental and catering revenue, partially offset by increased catering only revenue. EBITDAS for Q4 2019 were $10.5 million, an increase of $2.1 million or 24% compared to Q4 2018. The increase in Q4 2019 segment EBITDAS and EBITDAS as a percentage of revenue was a result of Q4 2019 having a greater proportion of revenue from higher margin camps compared to Q4 2018.

Revenues from the Camp & Catering segment for 2019 increased 6% compared to 2018. The increase was primarily due to multiple new contracts in British Columbia and was partially offset by decreased equipment sales. EBITDAS for 2019 decreased 1% compared to 2018, as the increased EBITDAS in Q1, Q3 and Q4 2019 were more than offset by decreased EBITDAS in Q2 2019 related to the sharp decrease in activity in the Montney, Duvernay and oil sands regions.

Camp rental and catering revenue

Revenues from camp rental and catering operations for Q4 2019 decreased by $7.2 million or 14% compared to Q4 2018. The decrease in Q4 2019 was driven by less project work for camp installation, a 19% decrease in bed rental days and a 22% decrease in utilization, partially offset by a 5% increase in revenue per bed rental day. The decrease in bed rental days and utilization is due to certain contracts expiring and fewer fixed revenue contracts. As a result of the decrease in contracts for deployed beds, utilization of the bed rental fleet decreased to 43% compared to 55% utilization in Q4 2018. The new British Columbia camps contributed to the increase in revenue per bed rental day.

Revenues from camp rental and catering operations for 2019 increased by 5% compared to 2018, which was driven by an 10% increase in revenue per bed rental day and was partially offset by a 4% decrease in utilization levels. Utilization was relatively consistent in 2019 when compared to 2018.

Catering only revenue

Revenues from the provision of catering and housekeeping services, with no associated bed rentals, in Q4 2019 increased by $4.1 million or 34% compared to Q4 2018. The increase was mainly due to an ongoing catering contract in Nunavut and the addition of a catering project in the Fort McMurray, Alberta region. Revenue per catering only day was 8% lower than Q4 2018, due to lower priced contracts.

Revenues from the provision of catering and housekeeping services, with no associated bed rentals, for 2019 increased by 21% compared to the same period of 2018 as a result of the contracts discussed above. Revenue per catering only day was lower by 5% for 2019 primarily due to lower priced contracts.

Equipment sales revenue

Equipment sales revenues include new camp construction and used fleet sales. Revenues from equipment sales for Q4 2019 decreased by $1.7 million or 91% compared to Q4 2018. The decrease was due to minimal equipment sales in Q4 2019. Used equipment sales are utilized as a key part of the fleet management strategy to ensure an appropriate equipment portfolio as opportunities are available.

Revenues from equipment sales revenue 2019 decreased by 86% compared to 2018 as a result of a sizeable equipment buy out in 2018.

Rentals & Logistics Segment

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

	Three months ended December 31,			Twelve months ended December 31,		
(000's except for operational metrics)	2019	2018	% change	2019	2018	% change
Relocatable structures revenue [1]	$ 1,623	$ 1,206	35	$ 5,695	$ 5,077	12
Mat rental revenue	1,564	2,451	(36)	8,806	11,447	(23)
Equipment sales revenue	1,233	1,458	(15)	7,450	6,245	19
Installation, transportation, service, and other revenue	7,886	3,957	99	27,541	21,383	29
Total revenue	12,306	9,072	36	49,493	44,152	12
EBITDAS	$ 2,353	$ 2,629	(10)	$ 13,028	$ 12,404	5
EBITDAS as a % of revenue	19%	29%		26%	28%	
Operating profit (loss)	$ (819)	$ 22	(3,823)	$ 2,241	$ 2,797	(20)
Relocatable Structures						
Average fleet size	849	1,017	(17)	884	1,112	(20)
Fleet end of period	831	918	(9)	831	918	(9)
Rental days [2]	58,589	42,624	37	205,117	186,667	10
Utilization [3]	75%	46%	63	64%	46%	38
Mat rental						
Average fleet size [4]	36,026	35,231	2	33,178	36,178	(8)
Fleet end of period [5]	36,514	34,606	6	36,514	34,606	6
Mat rental days [6]	1,357,167	2,082,171	(35)	6,831,329	10,191,014	(33)
Utilization [7]	41%	64%	(36)	56%	77%	(27)
Revenue per mat rental day [8]	$ 1.15	$ 1.18	(2)	$ 1.29	$ 1.12	15
Equipment Sales [9]						
Relocatable structures	9	12	(25)	43	96	(55)
Mats	1,180	2,073	(43)	13,212	9,139	45

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

Revenues from the Rentals & Logistics segment for Q4 2019 increased by $3.2 million or 36% compared to Q4 2018. The increase was primarily driven by a higher amount of lower margin installation and transportation combined with higher relocatable structures revenue, partially offset by the decrease in mat rental activity and lower revenue per mat rental day as well as decreased mat sales. EBITDAS for Q4 2019 were $2.0 million, a decrease of $0.3 million or 10% compared to Q4 2018. The Q4 2019 EBITDAS as a percentage of revenue decreased by 13% from Q4 2018, despite the increase in revenue, due to lower margin installation and transportation jobs combined with lower mat rental activity. The decrease in Q4 2019 segment EBITDAS was a result of decreased mat rental utilization and fleet size and lower mat rental pricing compared to Q4 2018.

Revenues from Rentals & Logistics for 2019 increased 12% in comparison to 2018. The increase in revenue was mainly driven by a higher amount of low margin installation and transportation revenue, partially offset by the decrease in mat rental revenue. EBITDAS for 2019 increased 5% and as a percentage of revenue weakened by 3% compared to 2018. The increased EBITDAS was due to the increased revenue. EBITDAS as a percentage of revenue decreased as a result of lower mat utilization compared to 2018. Partially offsetting the year over year EBITDAS increase is lower mat rental revenue related to the decreased average fleet size and lower utilization.

Relocatable structures revenue

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

Relocatable structures revenues for Q4 2019 increased by 35% compared to Q4 2018, due to a 65% increase in utilization and a 37% increase in rental days which was partially offset by a decrease in average fleet sizes.

Relocatable structures revenues for 2019 increased 12% compared to 2018. The increased revenues were primarily a result of increased utilization, partially offset by the decreased fleet size. The mix of equipment on rent was comprised of more multi-unit complexes and saw generally stronger pricing compared to 2018. Utilization improved 38% as a result of the stronger activity and the decreased fleet size.

Mat rental revenue

Mat rental revenues for Q4 2019 decreased $0.9 million or 36% compared to Q4 2018. The decrease in Q4 2019 was driven by decreased utilization and lower revenue per mat rental day of $1.15 compared to $1.18 per mat rental day in Q4 2018. The decrease in mat rental rates was a result of a less favourable rental environment.

Mat rental revenue for 2019 decreased by 23% compared to 2018 primarily as a result of a 27% decrease in utilization and a 8% decrease in average fleet size, partially offset by the 15% increase in revenue per mat rental day.

Equipment sales revenue

Equipment sales are the sale of new and used Rentals & Logistics fleet, which is comprised of new and used mats, space rental assets and other equipment.

Equipment sales revenues for Q4 2019 decreased by $0.2 million or 15% compared to Q4 2018. The decrease was driven by lower mat sales in Q4 2019 with 1,180 mats sold compared to 2,073 in Q4 2018.

Revenues for 2019 increased by $1.2 million or 19% compared to the 2018. The increase in revenue was primarily driven by the significant mat sales in Q1 2019.

Installation, transportation, service, and other revenue

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

Revenues for Q4 2019 increased by $3.9 million or 99% compared to Q4 2018. The increase in Q4 2019 was primarily due to increased installation and transportation projects when compared to Q4 2018.

Revenues for 2019 increased by $6.2 million or 29% compared to 2018. The increase in revenue was driven by transportation and installation work.

Modular Solutions

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

	Three months ended December 31,			Twelve months ended December 31,		
(000's)	2019	2018	% change	2019	2018	% change
Modular Solutions revenue	$ 39,397	$ 43,779	(10)	$ 180,474	$ 133,155	36
Expenses						
Direct costs	37,772	36,495	3	168,526	119,385	41
Selling & administrative expenses	2,298	780	195	7,972	3,304	141
EBITDAS	(673)	6,504	(110)	3,976	10,466	(62)
EBITDAS as a % of revenue	(2%)	15%		2%	8%	
Operating profit (loss)	(2,383)	5,819	(141)	(2,140)	8,610	(125)
Backlog [1]	$ 61,693	$ 88,825	(31)	$ 61,693	$ 88,825	(31)

(1) Backlog is the total value of work that has not yet been completed that: (a) has a high certainty of being performed based on the existence of an executed contract or work order specifying job scope, value and timing; or (b) has been awarded to Horizon North, as evidenced by an executed letter of award or agreement, describing the general job scope, value and timing of such work, and where the finalization of a formal contract in respect of such work is reasonably assured and expects to be recognized in the next 12 months.

Modular Solutions segment revenues for Q4 2019 were $39.4 million compared to $43.8 million in Q4 2018. The decrease was attributable to decreased activity and backlog in Western Canada, partially offset by NRB revenues. Projects in Q4 2019 were comprised mainly of commercial projects, including an external hotel project, several affordable housing projects for government housing agencies in British Columbia and an industrial project.

Revenues for 2019 were $180.5 million compared to $133.2 million in 2018. Revenue in 2019 consisted primarily of the manufacturing and installation of affordable housing projects for BC Housing Management Commission, a hostel project in Jasper, Alberta, and hotel and industrial projects, combined with the addition of NRB revenue for the manufacturing of primarily classrooms and custom steel structures. This compares to an 85-room hotel in Oliver, British Columbia, a condominium housing complex in Revelstoke, British Columbia and several residential housing projects in 2018.

A key metric for the Modular Solutions segment is the backlog of projects and timing of backlog execution. The focus for this business unit continues to be securing and increasing backlog, which was $61.7 million at the end of 2019, excluding the Fairfield by Marriott but including $14.4 million from NRB, compared to $88.8 million at the end of 2018. The decrease in backlog is primarily due to decreased activity in Western Canada.

The Corporation has completed the modular design and started manufacturing and site works, including foundation, for a 120-room Fairfield by Marriott located in Kitimat, British Columbia. Expenditures on this project are being funded by the Company and have been recorded in inventories as the Corporation intends to sell the hotel and as such there are no revenues or backlog associated with this project. The project is anticipated to be completed in the second half of 2020.

Modular Solutions Direct Costs

Direct costs are comprised of labour, raw materials and transportation which vary directly with revenues, and a relatively fixed component which includes rent, utilities and the design and technical services required in the bidding cycle and post award manufacturing and installation of the product.

Direct costs were 96% of revenues in Q4 2019 compared to 83% in Q4 2018, and were 93% of revenues in 2019 compared to 90% in 2018. The increase in direct costs for each period was mainly driven by lower margins on commercial projects and decreased revenue in Western Canada.

Industrial Services Direct Costs

Direct costs in the Industrial Services business unit for Q4 2019 were $58.6 million or 80% of revenue compared to $62.4 million or 84% of revenue for Q4 2018. Direct costs are driven by both the level and mix of business activity consisting primarily of labour, raw material, trucking, rent and utility costs. As a percentage of revenue, direct costs decreased 3% in Q4 2019 compared to Q4 2018 primarily as a result of the different revenue mix, with more revenues being generated from the higher margin service offerings. The decrease in direct costs of $3.7 million in Q4 2019, compared to Q4 2018, is primarily due to the decrease in revenue and the different revenue mix discussed above.

Direct costs in the Industrial Services business unit for 2019 were $237.0 million or 84% of revenue compared to $219.7 million or 83% of revenue for 2018. Direct costs are driven by both the level and mix of business activity consisting primarily of labour, food costs, raw materials, trucking, rent and utility costs. The increase in direct costs for 2019, compared to 2018, was related to the increase in business activity as well as the different revenue mix with more revenues being generated from the lower margin service offerings.

Other Items

Selling & Administrative Expense

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

Selling & administrative expenses for Q4 2019 were $7.1 million, an increase of $1.4 million compared to Q4 2018. As a percentage of revenue, selling and administrative expenses were 7% compared to 5% in Q4 2018.

Selling and administrative costs for 2019 were $26.1 million, an increase of $4.5 million compared to 2018. As a percentage of revenue, selling and administrative expenses were 6% in 2019 compared to 5% in 2018.

Depreciation and amortization

	Three months ended December 31,			Twelve months ended December 31,		
(000's)	2019	2018	% change	2019	2018	% change
Depreciation of property, plant and equipment and right-of-use assets	$ 12,777	$ 9,511	34	$ 44,293	$ 38,540	15
Amortization of intangibles	1,006	686	46	2,913	2,749	6
Total depreciation and amortization	$ 13,783	$ 10,197	35	47,206	$ 41,289	14

Depreciation of property, plant and equipment and right-of-use assets in Q4 2019 increased by $3.3 million from Q4 2018, and by $5.8 million in 2019 compared to 2018, as a result of the impact from the adoption of IFRS 16 that recognized several right-of-use assets in 2019, partially offset by the impact of some camp facilities being fully depreciated.

The amortization of intangibles is related to the intangibles acquired in 2019 as well as the acquisition of NRB in April 2019, Karoleena Inc. in June 2016 and Empire Camp Equipment Ltd. in August 2016.

Financing costs

Financing costs include interest on loans and borrowings and interest on lease liabilities. For Q4 2019, financing costs were $1.9 million, an increase of $1.5 million compared to Q4 2018. For 2019, financing costs were $6.0 million compared to $2.9 million in 2018. Financing costs on loans and borrowings for the year ended December 31, 2019 increased due to $1.5 million interest costs on lease liabilities from the adoption of IFRS 16 as well as higher average debt levels in 2019, which averaged $81.4 million compared with $57.4 million in the same period of 2018.

The effective interest rate on loans and borrowings for 2019 was 4.4% compared to 5.3% in the same period of 2018. The lower effective interest rate in 2019 was driven by the tiered interest rate structure of the credit facility and lower leverage for the majority of 2019.

Income taxes

For the year ended December 31, 2019, income tax recovery was $27.2 million (2018 - $1.9 million). The increase in income tax recovery was attributable to the increase in reported losses compared to the reported earnings in 2018 and a decrease in the combined federal and provincial tax rates from 27.00% to 26.50%.

Gain/Loss on Disposal

For Q4 2019, the loss on disposal was $0.1 million compared to a loss on disposal of $0.5 million in Q4 2018. The gains and losses on disposals are typically generated from ongoing fleet management of operational assets.

For 2019, the gain on disposal was $0.2 million compared to a gain on disposal of $0.1 million for 2018. The gains and losses on disposals are typically generated from ongoing fleet management of operational assets.

Liquidity and Capital Resources

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

The Corporation intends to fund its operations, working capital requirements and capital program primarily with cash flow from operating activities, its existing credit facility and the temporary facility.

Summary of cash flows *(000's)*		December 31, 2019		December 31, 2018
Operating activities	$	40,829	$	40,771
Investing activities		(92,332)		(27,677)
Financing activities		51,503		(13,094)
Change in cash position	$	—	$	—

For 2019, operating activities generated $40.8 million of cash, compared to $40.8 million of cash in the same period of 2018. Trade and other payables increased, which was offset by the increase in inventory and the movement of lease payments to financing activities. Cash used in investing activities for 2019 includes the capital spending related to the Crossroads Lodge facility in Kitimat, British Columbia, the equity investment in Gitxaala Horizon North Services Limited Partnership and the NRB Acquisition, compared to the purchase of a 288-person camp facility south of Fort McMurray, Alberta in 2018. Cash flows from financing activities include proceeds on loans and borrowings, offset by dividend payments, finance costs paid and the cash impact of finance leases.

Working capital position *(000's)*		December 31, 2019		December 31, 2018
Current assets	$	140,165	$	116,125
Current liabilities		95,577		54,012
Working capital	$	44,588	$	62,113

Working capital at December 31, 2019 was $44.6 million compared to $62.1 million at December 31, 2018, a decrease of $17.5 million. The decrease in working capital was mainly due to an increase in trade and other payables.

Borrowing capacity *(000's)*		December 31, 2019		December 31, 2018
Bank borrowing:				
Available credit facility	$	150,000	$	150,000
Drawings on credit facility		108,405		30,838
Letters of credit		875		307
Borrowing capacity[1]	$	40,720	$	118,855

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

The amount drawn on the Corporation's credit facility increased to $108.1 million at December 31, 2019 compared to $30.8 million at December 31, 2018. The significant increase from prior year is due to the robust capital program and significant projects undertaken in 2019. Refer to the "Capital Spending" section below for further information. The Corporation had $40.7 million of borrowing capacity as at December 31, 2019.

The Credit Facility has an available limit of $150.0 million and is secured by a $400.0 million first fixed and floating charge debenture over all assets of the Corporation and its wholly-owned subsidiaries. Effective September 26, 2019, Horizon North reached an agreement with its lenders to amend its Credit Facility and extend the maturity date to September 30, 2021. The amended credit facility also provided covenant relief.

Effective March 10, 2020, Horizon North amended its Credit Facility to include a $15.0 million temporary facility that is required to be repaid by July 31, 2020. The interest rate for both the Credit Facility and the temporary facility is calculated on a grid pricing structure based on the Corporation's debt to EBITDAS ratio. Debt to EBITDAS is calculated as at the quarter end for the most recently completed calendar quarter and for the 12 months ended on such date. Amounts drawn on the Credit Facility incur interest at bank prime rate plus 0.45% to 3.00% or the Bankers' Acceptance rate plus 1.45% to 4.00%. The Credit Facility has a standby fee ranging from 0.29% to 0.80%. The covenants were also amended as follows:

Debt Covenants	**Q1 2020**	**Q2 2020**	**Q3 2020**	**Q4 2020**	**Q1 2021 and thereafter**
Amended covenants:					
Minimum trailing 12 months EBITDAS(3)	$11.8 million	$23.7 million	$28.4 million	N/A	N/A
Maximum Senior debt(1) to EBITDAS	N/A	N/A	N/A	3.75:1:00	3.00:1:00
Maximum Total debt(2) to EBITDAS	N/A	N/A	N/A	4.25:1:00	4.25:1:00
Minimum Interest Coverage ratio(6)	2:00:1:00	3:00:1:00	3:00:1:00	3:00:1:00	3:00:1:00
Previous covenants:					
Maximum Senior debt to EBITDAS	4.50:1:00	3.75:1:00	3.50:1:00	3.00:1:00	3.00:1:00
Maximum Total debt to EBITDAS	4.50:1:00	4.25:1:00	4.25:1:00	4.25:1:00	4.25:1:00
Minimum Interest Coverage ratio	3:00:1:00	3:00:1:00	3:00:1:00	3:00:1:00	3:00:1:00

The liabilities resulting from the adoption of IFRS 16 are not included in the calculation of Total Loans and Borrowings as defined in the Credit Facility agreement.

As at December 31, 2019, the Corporation was in compliance with all financial and non-financial covenants as shown below:

Debt Covenants	December 31, 2019
Maximum Consolidated Senior debt (1) to Consolidated Adjusted EBITDAS ratio (3)(4) (must be 5.25:1.00 or less)	4.67:1:00
Maximum Consolidated Total debt (2) to Consolidated Adjusted EBITDAS ratio (3)(5) (must be 5.25:1.00 or less)	4.67:1:00
Minimum Consolidated Interest coverage ratio(6) (must be 3.00:1.00 or more)	6.50:1:00

(1) Senior debt is calculated as the sum of current and long-term portions of total loans and borrowings less vehicle and equipment financing.
(2) Total debt is calculated as the sum of current and long-term portions of total loans and borrowings, excluding lease liabilities under IFRS 16.
(3) Adjusted EBITDAS (Earnings before interest, taxes, depreciation, amortization, share based compensation, impairment, gain/loss on disposal of property, plant and equipment, less the impact of the adoption of IFRS 16) is not a recognized measure under IFRS. Management believes that in addition to total profit and total comprehensive income, EBITDAS is a useful supplemental earnings measure as it provides an indication of the Corporation's operating performance and it is regularly provided to and reviewed by the Chief Operating Decision Maker. Horizon North's method of calculating EBITDAS may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities.
(4) Senior debt to EBITDAS is calculated as the ratio of senior debt to trailing 12 months Adjusted EBITDAS.
(5) Total debt to EBITDAS is calculated as the ratio of total debt to trailing 12 months Adjusted EBITDAS.
(6) Interest coverage is calculated as the ratio of trailing 12 months Adjusted EBITDAS to 12 months trailing interest expense on loans and borrowings.

Management expects liquidity to be sufficient to meet the Corporation's commitments while operating within the above covenants. However, a significant level of uncertainty exists in the oil and gas industry which could negatively impact the assumptions and estimates used in the Corporation's forecasts. Due to this uncertainty, the Corporation will exercise fiscal prudence in regards to its 2020 capital program and quarterly dividend.

Capital Spending

For the year ended December 31, 2019, gross capital spending, excluding the impact of the adoption of IFRS 16 – Leases that recognized $26.6 million of right-of-use assets, was $62.1 million compared to $30.9 million in the same period of 2018. Capital spending in 2019 was mainly focused on the capital related to the mobilization and commissioning of the Crossroads Lodge facility in Kitimat, British Columbia.

Management evaluates and manages its capital spending plans taking into account proceeds from the sale of property, plant and equipment, resulting in net capital spending of $61.3 million for the year ended December 31, 2019, compared to $21.9 million in the same period of 2018. Capital spending was funded primarily from cash from operations and the credit facility.

Horizon North does not currently have any material capital commitments associated with contracts to supply equipment or to purchase property, plant and equipment, other than a capital commitment of $8.0 million related to a contract for the provision of temporary construction modular units and large complexes for a client supporting LNG development.

Quarterly Summary of Results

	Three months ended			
(000's except per share amounts)	2019 December	2019 September	2019 June	2019 March
Revenue	$ 108,160	$ 116,641	$ 104,550	$ 128,745
EBITDAS	8,192	8,881	(3,948)	17,405
Operating profit (loss) before impairment, including equity investment loss	(6,375)	(2,901)	(17,388)	6,328
Impairment loss	85,190	—	—	—
Operating profit (loss) including equity investment loss	(91,565)	(2,901)	(17,388)	6,328
Net profit (loss)	(74,539)	(3,367)	(10,618)	3,737
Net comprehensive income (loss)	(74,546)	(3,367)	(10,617)	3,737
Earnings (loss) per share - basic	$ (0.45)	$ (0.02)	$ (0.06)	$ 0.02
Earnings (loss) per share - diluted	$ (0.45)	$ (0.02)	$ (0.06)	$ 0.02

	Three months ended			
(000's except per share amounts)	2018 December	2018 September	2018 June	2018 March
Revenue	$ 118,045	$ 100,022	$ 93,603	$ 82,575
EBITDAS	13,654	11,710	6,886	4,433
Operating profit (loss)	2,240	1,308	(3,800)	(7,044)
Net profit (loss)	1,413	(157)	(3,390)	(6,062)
Net comprehensive income (loss)	1,413	(112)	(3,435)	(6,062)
Earnings (loss) per share - basic	(0.01)	$ 0.00	$ (0.02)	$ (0.04)
Earnings (loss) per share - diluted	(0.01)	$ 0.00	$ (0.02)	$ (0.04)

Historically, Horizon North has been primarily a provider of products and services to the resource sector with its performance associated with the fluctuations in commodity pricing and activity levels in that sector. The allocation of manufacturing resources between external projects and internal fleet requirements, along with the time and costs required to deploy camp and catering fleet assets, significantly affect the timing of revenues between the quarters and impacts performance. Although there is some seasonality, with the first quarter generally stronger, this effect can be muted or compounded by the other factors.

In pursuit of its diversification strategy, the Corporation is focusing its manufacturing infrastructure on modular construction projects rather than traditional camp manufacturing. This diversification strategy has decreased the Corporation's exposure to commodity prices, reducing volatility and with the goal of providing a more stable business operation. The strategic initiative of business transformation has been a high priority. During 2018, the Modular Solutions segment experienced momentum with a significant increase in positive earnings as a result of strong backlog growth and increased manufacturing capacity with the acquisitions of Shelter Modular Inc. and the custom manufacturing business of C&V Portable Accommodations Ltd. During 2019 activity and backlog in Western Canada decreased which had a negative impact on earnings when compared to 2018. This was partially offset by the NRB Acquisition, which expanded the manufacturing capacity into the southern Ontario region.

Risks and Uncertainties

Volatility of Oil, Natural Gas and Mining Industry Conditions

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

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

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.

Changes in Accounting Policies

Horizon North's IFRS accounting policies are provided in Note 3 to the Consolidated Financial Statements as at the years ended December 31, 2019 and 2018. As at December 31, 2019, Horizon North updated its accounting policies to include the adoption of IFRS 16. The details are provided in Note 3 of its Consolidated Financial Statements as at December 31, 2019.

Critical Accounting Estimates and Judgments

This MD&A of the Corporation's financial condition and results of operations is based on its Consolidated Financial Statements which are prepared in accordance with International Financial Reporting Standards (IFRS). The presentation of these financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of provisions at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates and judgments are based on historical experience and on various assumptions that are believed to be reasonable under the circumstances. Anticipating future events cannot be done with certainty, therefore these estimates may change as new events occur, more experience is acquired and as the Corporation's operating environment changes. The accounting estimates believed to be the most difficult, subjective or complex are the most critical to the reporting of results of operations and financial positions. They are as follows:

Revenue recognition

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

Construction Receivable Estimate

The Corporation recognizes that the value of many construction contracts increases over the duration of the construction period. Change orders may be issued by customers to modify the original contract scope of work or certain conditions may result in possible disputes or claims regarding additional amounts owing may arise. Construction work related to a change order or claim may proceed, and costs may be incurred, in advance of final determination of the value of the change order. As many change orders and claims may not be settled until the end of the construction project, significant increases or decreases in revenue and income may arise during any particular accounting period.

Collectability of receivables

The Corporation estimates the collectability of accounts receivable, including unbilled accounts receivable related to current period service revenue. An analysis of historical bad debts, client credit-worthiness, the age of accounts receivable and current economic trends and conditions are used to evaluate the adequacy of the allowance for doubtful accounts and the collectability of receivables. Significant estimates must be made and used in connection with establishing the allowance for doubtful accounts in any accounting period. Material differences may result if management made different judgments or utilized different estimates.

Asset Retirement Obligation

The Corporation recognizes an asset retirement obligation ("ARO") to account for future demobilization and reclamation of specific camps. Use of an ARO requires estimates of the asset retirement costs, timing of payments, present value discount rate and inflation rate to determine the amount recognized, in accordance with the accounting policy set out in the notes to the Consolidated Financial Statements.

Impairment

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

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

Purchase price equations

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

Inventory Estimate

The Corporation has recognized the expenditures related to construction of a hotel as work-in-progress inventory, as it is management's intention to sell the hotel. The classification to inventory rather than investment property or property, plant and equipment represents a significant estimate as there is currently no purchase and sale agreement for the hotel.

Financial Instruments and Risk Management

Overview

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

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

(a) Credit risk

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

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

(000's)	December 31, 2019	December 31, 2018
Trade receivables		
Neither impaired nor past due	$ 19,900	$ 16,944
Outstanding 31-60 days	7,749	4,908
Outstanding 61-90 days	2,744	2,068
Outstanding more than 90 days	5,882	4,549
Total trade receivables	$ 36,275	$ 28,469
Construction receivables		
Neither impaired nor past due	$ 1,531	$ 13,658
Outstanding 31-60 days	1,159	73
Outstanding 61-90 days	1,571	1,055
Outstanding more than 90 days	4,665	2,124
Total construction receivables	$ 8,926	$ 16,910
Accrued revenue	$ 46,101	$ 30,687
Accrued construction revenue	26,138	29,000
Other receivables	1,505	960
Allowance for doubtful accounts	(2,638)	(3,059)
Total trade and other receivables	$ 116,307	$ 102,967

As at December 31, 2019, the Corporation provided an allowance for $2.6 million of receivables. As at March 11, 2020, the Corporation has collected $1.4 million on amounts outstanding more than 90 days as at December 31, 2019.

Construction receivables represent progress billings to customers under open construction contracts, holdback amounts billed on construction contracts which are not due until the contract work is substantially completed, amounts recognized as revenue under open construction contracts not billed to customers and highly probable claims. At December 31, 2019, included in current construction receivables were holdbacks of $4.4 million (December 31, 2018 - $6.9 million).

(b) Liquidity risk

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

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

As at December 31, 2019, $108.4 million was drawn against the credit facility (Note 18) and the Corporation had outstanding issued letters of credit of $0.9 million.

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

	December 31, 2019			December 31, 2018		
	Trade and other payables[(1)]	Lease liabilities[(2)]	Loans and borrowings[(3)]	Trade and other payables[(1)]	Lease liabilities[(2)]	Loans and borrowings[(3)]
Year 1	$ 86,513	$ 7,134	$ —	$ 51,937	$ 828	$ —
Year 2	—	5,703	108,405	4,382	—	30,838
Year 3	2,295	3,991	—	—	—	—
Year 4	57	2,739	—	424	—	—
Year 5 and beyond	3,998	12,112	—	6,641	—	—
	$ 92,863	$ 31,679	$ 108,405	$ 63,384	$ 828	$ 30,838

(1) Trade and other payables include trade and other payables, income taxes payable and asset retirement provisions.
(2) Lease liabilities include total undiscounted lease payments.
(3) Loans and borrowings include Horizon North's senior secured revolving term credit facility and excludes interest costs.

(c) Market risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on future performance of the Corporation. The market price movements that could adversely affect the value of the Corporation's financial assets, liabilities and expected future cash flows include foreign currency exchange risk and interest rate risk. As the Corporation's exposure to foreign currency exchange risk and interest rate risk is limited, the Corporation does not currently hedge its financial instruments.

(i) Foreign currency exchange risk

The Corporation has limited exposure to foreign currency exchange risk as sales and purchases are typically denominated in CAD. The Corporation's exposure to foreign currency exchange risk arises from the purchase of some raw materials, which are denominated in USD, and foreign operations with USD functional currency.

As the foreign currency exchange risks are primarily based on the realized foreign exchange, the following sensitivity analysis is to determine the impact on cash used in operating activities. The effect of a $0.01 increase in the USD/CAD exchange rate would decrease cash used in operating activities for the twelve months ended December 31, 2019 by approximately $0.02 million (December 31, 2018 - $0.06 million). This assumes that the quantity of USD raw material purchases and the foreign operations in the year remain unchanged and that the change in the USD/CAD exchange rate is effective from the beginning of the year.

(ii) Interest rate risk

The Corporation is exposed to interest rate risk as changes in interest rates may affect interest expense and future cash flows. The primary exposure is related to the Corporation's revolving credit facility which bears interest at a rate of prime plus 0.45% to 3.00% or the Bankers' Acceptance rate plus 1.45% to 4.00%. If prime were to have increased by 1.00%, it is estimated that the Corporation's net earnings would have decreased by approximately $0.8 million for the twelve months ended December 31, 2019 (December 31, 2018 - $0.6 million). This assumes that the amount and mix of fixed and floating rate debt in the year remains unchanged and that the change in interest rates is effective from the beginning of the year.

Outstanding Shares

Horizon North had 165,416,904 voting common shares issued and outstanding and exercisable options to purchase 5,123,392 shares for a total potential of 170,540,296 shares as at March 11, 2020.

Off-Balance Sheet Arrangements

Horizon North has no off-balance sheet arrangements.

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

Disclosure Controls and Procedures

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") as defined in National Instrument 52-109 - *Certification of Disclosure in*

Issuers' Annual and Interim Filings of the Canadian Securities Administrators ("NI 52-109"), to provide reasonable assurance that: (i) material information relating to the Corporation is made known to the CEO and the CFO by others, particularly during the period in which the interim filings are being prepared; and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Throughout 2020, Horizon North will continue to evaluate its DC&P, making modifications from time-to-time as deemed necessary. There were no changes in Horizon North's DC&P that occurred during the period ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, Horizon North's DC&P.

Internal Controls Over Financial Reporting

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

There were no changes to the Corporation's ICFR during the period ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

In accordance with the requirements of NI 52-109, an evaluation of the effectiveness of DC&P and ICFR was carried out under the supervision of the CEO and CFO at December 31, 2019. Based on this evaluation, the CEO and CFO have concluded that the Corporation's DC&P and ICFR were effective as at December 31, 2019.

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

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

Non-GAAP Financial Measures

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

EBITDAS: Earnings before interest, taxes, depreciation, amortization, share based compensation, gain/loss on investments, and gain/loss on disposal of property, plant and equipment ("EBITDAS"). Management believes that in addition to net profit (loss) and comprehensive net income (loss), EBITDAS is a useful supplemental earnings measure as it provides an indication of the Corporation's operating performance and it is regularly provided to and reviewed by the Chief Operating Decision Maker.

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

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

EBITDAS

(000's)	Three months ended December 31,				Twelve months ended December 31,			
		2019		2018		2019		2018
Net loss	$	(74,539)	$	1,412	$	(84,786)	$	(8,196)
Add:								
Share based compensation		715		677		3,831		2,749
Depreciation & amortization		13,783		10,197		47,206		41,289
Impairment loss		85,190		—		85,190		—
Finance costs		1,857		374		6,043		2,894
Gain on disposal of property, plant and equipment		69		544		(169)		(61)
Loss on investments		—		—		434		—
Income tax recovery		(18,883)		449		(27,219)		(1,927)
EBITDAS	$	8,192	$	13,653	$	30,530	$	36,749

Related Party Transactions

(000's)	December 31, 2019		December 31, 2018	
Joint venture				
Revenue	$	6,284	$	—
Recovery of administrative overhead		53		—
Included in accounts receivable		9,931		—
Key management personnel interests				
Revenue		393		256
Included in accounts receivable		207		84

The Corporation earned revenue of $6.3 million for the year ended December 31, 2019 for the manufacturing, installation and transportation of relocatable units provided to Gitxaala Horizon North Services LP, a joint venture that was formed in 2019 and is 49% owned by the Corporation. There was also $0.1 million in management fees and cost recoveries for administrative overhead related to accounting and management services.

The Corporation earned revenue during the year ended December 31, 2019 of $0.4 million (2018 - $0.3 million) for catering services provided to a company of which a director of the Corporation is a Director. There was $0.2 million (2018 - $0.1 million) included in trade receivables as at December 31, 2019.

All related party transactions are in the normal course of operations and have been measured at the agreed exchange amounts, which is the amount of consideration established and agreed to by the related parties and is similar to those negotiated with third parties. All outstanding balances are to be settled with cash, and none of the balances are secured.

Advisories

This MD&A, prepared as at December 31, 2019, focuses on key statistics from the Consolidated Financial Statements and pertains to known risks and uncertainties relating to the business carried on by Horizon North. This discussion should not be considered all-inclusive, as it does not attempt to include changes that may occur in general economic, political and environmental conditions. Additional information related to the Corporation, including the Corporation's annual information form, is available on SEDAR at www.sedar.com. Unless otherwise indicated, the Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards and the reporting currency is in Canadian dollars.

Caution Regarding Forward-Looking Statements and Information

Certain statements contained in this MD&A constitute forward-looking information within the meaning of applicable Canadian securities laws (collectively, "forward-looking statements"). These statements relate to future events or future performance of Horizon North. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "should", "believe" and similar expressions are intended to identify forward-looking statements.

In particular, such forward-looking statements include but are not limited to, statements with respect to:

- the anticipated timing of manufacturing related to the hotel project in British Columbia that Horizon was awarded;
- expected contract revenues;

- anticipated timing of completion of the Corporation's Fairfield by Marriott hotel and its intention to sell the hotel (including anticipated timing thereof);
- Horizon North's plans to continue to diversify its portfolio of offerings and customer base through its two operating divisions;
- timing and certainty regarding completion of the Proposed Transaction, including obtaining regulatory and shareholder approvals and fulfilling the conditions precedent to such completion;
- the anticipated benefits of the Proposed Transaction;
- the anticipated completion of construction of temporary construction modular units and large complexes for a client supporting LNG development (including anticipated timing thereof);
- Horizon North's strategy to pursue opportunities related to additional Western Canadian pipeline infrastructure projects as well as to capture additional opportunities arising from announced and potential projects related to hydrocarbon shipping terminals and LNG projects on the west coast;
- the Corporation's anticipated leverage position;
- expectations regarding oil and natural gas markets in 2020;
- expectations regarding Horizon North's opportunities and strategy in the Montney/Duvernay, oil sands and Northern Canadian regions;
- the composition of Horizon North's project pipeline for 2020 for the Modular Solutions division, its focus on growing backlog and its expected allocation of manufacturing capacity in 2020;
- expected plans following completion of the NRB Acquisition to expand NRB's product and service offerings;
- the expected benefits to the Modular Solutions division resulting from increased federal support for affordable and social housing and the ability of Horizon North to continue to explore opportunities across Canada to grow such affordable housing projects;
- the Corporation's anticipated elevated leverage position throughout 2020 and that future capital resources will be adequate to execute its future plans;
- the Corporation's expected allocation of future net cash flows to appropriately balance its objectives; and
- the Corporation's anticipated cash flows from operating activities will provide sufficient liquidity.

The forward-looking statements are based on certain factors and assumptions made by Horizon North which include, but are not limited to, assumptions relating to:

- industry activity for oil, natural gas and mineral exploration and development in the western Canadian provinces and northern territories;
- the timing and receipt of regulatory and shareholder approvals with respect to the Proposed Transaction;
- the benefits of the Proposed Transaction;
- commodity prices;
- the impacts of a positive final investment decision from LNG Canada with respect to the Kitimat LNG project;
- capital investment in the Canadian oil and gas sector;
- dividend payments;
- anticipated activity levels for 2020;
- operational results and capital spending;
- anticipated backlog in the Modular Solutions business;
- trade and other receivables;
- the impacts of the NRB Acquisition;
- future operating costs and Corporation's access to capital;
- the effects of regulation by governmental agencies;
- the competitive environment in which the Corporation operates;
- the ability of the Corporation to attract and retain personnel;
- the development of LNG and commodity transportation infrastructure;
- the relationships between the Corporation and its customers; and
- general economic and financial conditions.

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

- volatility in the price and demand for oil, natural gas and minerals;
- that the closing conditions to the Proposed Transaction, including receipt of shareholder and regulatory approvals, may not be satisfied and the Proposed Transaction may not close;
- the ability of Horizon North to integrate Dexterra's business and operations into its own;
- fluctuations in the demand for the Corporation's services;
- availability of qualified personnel;

- changes in regulation by governmental agencies, including environmental regulation; and
- other factors listed under "Risks and Uncertainties" in this MD&A and other risk factors identified in the Corporation's annual information form.

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

Certain information set out herein may be considered "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.

Management's Report to Shareholders

The accompanying consolidated financial statements of Horizon North Logistics Inc. ("Horizon North" or the "Corporation") have been approved by the Board of Directors (the "Board") of Horizon North and have been prepared by management in accordance with International Financial Reporting Standards. Financial statements will, by necessity, include certain amounts based on estimates and judgments. The financial information contained throughout this report has been reviewed to ensure consistency with these consolidated financial statements.

Management has overall responsibility for internal controls and maintains accounting systems designed to provide reasonable assurance that transactions are properly authorized, assets safeguarded and that the financial records form a reliable base for the preparation of accurate and timely financial information. The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of disclosure controls and procedures and internal controls over financial reporting and have concluded that they are effective.

The Board oversees the management of the business and affairs of Horizon North; including ensuring management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee, which consists of four independent directors. An independent firm of chartered accountants, appointed as external auditor by the shareholders, has audited the consolidated financial statements and its report is included herein. The Audit Committee has reviewed the consolidated financial statements with management and the external auditor.

Rod Graham President and Chief Executive Officer	Scott Matson Senior Vice President and Chief Financial Officer

March 11, 2020

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Horizon North Logistics Inc.

Opinion

We have audited the consolidated financial statements of Horizon North Logistics Inc. (the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2019 and December 31, 2018;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Prospective Change in Accounting Policy

We draw attention to Note 3 to the consolidated financial statements which indicates that the Company has changed its accounting policy for leases and has applied that change using the modified retrospective method. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis to be filed with the relevant Canadian Securities Commissions;
- the information, other than the financial statements and the auditors' report thereon, including in a document likely to be entitled "2019 Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis to be filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2019 Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company‘s financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

KPMG

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The engagement partner on the audit resulting in this auditors' report is Reinier Deurwaarder.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
March 11, 2020

Consolidated statement of financial position

(000's)	Note	December 31, 2019	December 31, 2018
Assets			
Current assets			
Trade and other receivables	11	$ 116,307	$ 102,967
Inventories	12	20,789	8,782
Prepayments		2,334	4,376
Finance lease receivable		735	—
Total current assets		140,165	116,125
Non-current assets			
Property, plant and equipment	13	288,750	327,123
Right-of-use assets	14	28,799	—
Intangible assets	15	8,252	1,599
Goodwill	15	13,575	24,792
Finance lease receivable		2,028	—
Other assets	17	3,344	2,771
Total non-current assets		344,748	356,285
Total assets		$ 484,913	$ 472,410
Liabilities and Shareholders' Equity			
Current liabilities			
Trade and other payables		$ 80,142	$ 48,113
Deferred revenue	6	2,833	2,075
Income taxes payable		561	1,217
Asset retirement obligations	19	5,810	1,835
Lease liabilities	14	6,231	772
Total current liabilities		95,577	54,012
Non-current liabilities			
Asset retirement obligations	19	6,350	11,447
Loans and borrowings	18	108,066	30,838
Lease liabilities	14	20,147	56
Deferred tax liabilities	10	13,008	39,314
Total liabilities		243,148	135,667
Shareholders' equity			
Share capital	21	340,353	338,377
Contributed surplus		18,245	17,195
Accumulated other comprehensive income		755	761
Retained earnings (deficit)		(117,588)	(19,590)
Total shareholders' equity		241,765	336,743
Total liabilities and shareholders' equity		$ 484,913	$ 472,410

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

Ann Rooney
Director

Rod Graham
Director

Consolidated statement of comprehensive loss
Years ended December 31, 2019 and 2018

			December 31, 2019		December 31, 2018
Revenue	6	$	458,096	$	394,245
Operating expenses					
Direct costs	7		401,081		335,956
Depreciation	13,14		44,293		38,540
Amortization of intangible assets	15		2,913		2,749
Impairment loss	16		85,190		—
Share based compensation	21		1,111		1,382
Gain on disposal of property, plant and equipment			(169)		(61)
Direct operating expenses			534,419		378,566
Gross profit (loss)			(76,323)		15,679
Selling & administrative expenses					
Selling & administrative expenses	8		26,084		21,606
Share based compensation	8,21		2,720		1,369
Selling & administrative expenses			28,804		22,975
Operating loss			(105,127)		(7,296)
Finance costs	9		6,043		2,894
Loss on investments			434		—
Loss (earnings) from equity investments			401		(67)
Loss before tax			(112,005)		(10,123)
Current tax expense			833		1,004
Deferred tax recovery			(28,052)		(2,931)
Income tax recovery	10		(27,219)		(1,927)
Net loss			(84,786)		(8,196)
Other comprehensive income					
Translation of foreign operations, net of income tax			(6)		—
Other comprehensive income, net of income tax			(6)		—
Comprehensive net loss		$	(84,792)	$	(8,196)
Loss per share					
Basic and diluted	22	$	(0.51)	$	(0.05)

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

Consolidated statement of changes in equity

(000's)	Note	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance at December 31, 2017		$ 286,754	$ 16,181	$ 761	$ 1,368	$ 305,064
Total loss		—	—	—	(8,196)	(8,196)
Share based compensation	21	—	1,047	—	—	1,047
Share options exercised	21	181	(33)	—	—	148
Issue of share capital		53,330	—	—	—	53,330
Share issue costs, net of tax		(1,888)	—	—	—	(1,888)
Dividends	23	—	—	—	(12,764)	(12,764)
Balance at December 31, 2018		$ 338,377	$ 17,195	$ 761	$ (19,590)	$ 336,743
Total loss		—	—	—	(84,786)	(84,786)
Share based compensation	21	—	1,168	—	—	1,168
Translation of foreign operations		—	—	(6)	—	(6)
Share options exercised	21	546	(118)	—	—	428
Issue of share capital	5	1,430	—	—	—	1,430
Dividends	23	—	—	—	(13,212)	(13,212)
Balance at December 31, 2019		$ 340,353	$ 18,245	$ 755	$ (117,588)	$ 241,765

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

Consolidated statement of cash flows

Years ended December 31, 2019 and 2018

(000's)	Note		December 31, 2019		December 31, 2018
Cash provided by (used in):					
Operating activities:					
Loss for the year		$	(84,786)	$	(8,196)
Adjustments for:					
Depreciation	13,14		44,293		38,540
Impairment loss	16		85,190		—
Amortization of intangible assets	15		2,913		2,749
Share based compensation	21		3,831		2,751
Loss on investments			434		—
Amortization of other assets			—		128
Gain on disposal of property, plant and equipment			(169)		(61)
Book value of used fleet sales			4,086		8,201
Purchases of rental fleet			(10,564)		(7,409)
Loss (earnings) on equity investments			401		(67)
Unrealized foreign exchange loss			(6)		—
Finance costs	9		6,043		2,894
Income tax recovery	10		(27,219)		(1,927)
Asset retirement obligation settled	19		(1,278)		(5,424)
Income taxes received (paid)			(1,489)		3,136
Funds flow			21,680		35,315
Changes in non-cash working capital items	28		19,149		5,456
Net cash flows from operating activities			40,829		40,771
Investing activities:					
Purchase of property, plant and equipment			(62,144)		(30,859)
Changes in non-cash working capital items	28		(8,050)		(190)
Purchase of intangible assets			(3,500)		—
Equity investment			(3,746)		—
Proceeds on disposal of property, plant and equipment			885		7,994
Business acquisition	5		(15,777)		(4,622)
Net cash flows used in investing activities			(92,332)		(27,677)
Financing activities:					
Shares issued, net of share issue costs			—		47,561
Payments for lease liabilities			(6,163)		(1,804)
Proceeds from (payments on) loans and borrowings			76,643		(43,441)
Finance costs paid			(5,789)		(3,039)
Payment of dividends	23		(13,188)		(12,371)
Net cash flows from (used in) financing activities			51,503		(13,094)
Change in cash position			—		—
Cash, beginning of period			—		—
Cash, end of period		$	—	$	—

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

1. Reporting Entity

Horizon North Logistics Inc. ("Horizon North" or the "Corporation") is a corporation registered and domiciled in Canada and is a publicly-traded corporation, listed on the Toronto Stock Exchange under the symbol HNL. The Corporation's registered offices are at 900, 240 - 4th Avenue SW, Calgary, AB T2P 4H4. The consolidated financial statements of the Corporation as at and for the year ended December 31, 2019 are comprised of the Corporation and its subsidiaries and the Corporation's interest in associates and jointly controlled entities. Horizon North provides a full range of industrial, commercial, and residential products and services under its two operating divisions: Industrial Services and Modular Solutions. The Industrial Services business includes workforce accommodations, camp management services, access solutions, maintenance and utilities. The 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, industrial and residential offerings including offices, hotels, and retail buildings, as well as distinctive single detached dwellings and multi-family residential structures.

2. Basis of Presentation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements were authorized for issue by the Board of Directors on March 11, 2020.

(b) Basis of measurement

The consolidated financial statements have been prepared using the historical cost basis. Certain prior period amounts have been amended to conform to current period presentation.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Corporation and subsidiaries' functional currency with the exception of a United States ("US") operational entity which has a US dollar functional currency.

(d) Use of estimates and judgments

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

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

The judgments, estimates and assumptions that have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements are as follows:

Estimates

- Revenue Recognition Estimate - The Corporation recognizes revenue over time for its construction contracts and estimates progress of these contracts by comparing costs incurred to the total expected costs of the project.

- Construction Receivable Estimate - The Corporation recognizes that the value of many construction contracts increases over the duration of the construction period. Change orders may be issued by customers to modify the original contract scope of work or conditions resulting in possible disputes or claims regarding additional amounts owing may arise. Construction work related to a change order or claim may proceed, and costs may be incurred, in advance of final determination of the value of the change order. As many change orders and claims may not be settled until the end of the construction project, management estimates what changes orders to include in the determination of revenue recognized and changes in these estimates could result in significant increases or decreases in revenue and income during any particular accounting period.

- Collectability of receivables - The Corporation estimates the collectability of accounts receivable, including unbilled accounts receivable related to current period service revenue. An analysis of historical bad debts, client credit-worthiness, the age of accounts receivable and current economic trends and conditions are used to evaluate the adequacy of the allowance for doubtful accounts and the collectability of receivables. Significant estimates must be made and used in connection with establishing the allowance for doubtful accounts in any accounting period. Material differences may result if management made different judgments or utilized different estimates.

- Asset Retirement Obligation ("ARO") - The Corporation recognizes an asset retirement obligation to account for future demobilisation and reclamation of specific camps. Use of an ARO requires estimates of the asset retirement costs, timing of payments, present value discount rate and inflation rate to determine the amount recognized in accordance with the accounting policy set out in Note 3(i).

- Impairment - Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal ("FVLCOD") and its value in use ("VIU"). The FVLCOD calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. If no such transactions can be identified, an appropriate valuation model is used. The VIU calculation is based on a discounted cash flow model. The cash flows are derived from the Corporation's forecast and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows, gross margin and EBITDAS (Earnings before interest, taxes, depreciation, amortization, share based compensation, impairment, and gain/loss on disposal of property, plant and equipment) assumptions and the growth rate used for extrapolation purposes.

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

- Inventory - The Corporation has recognized the expenditures related to construction of a hotel as work-in-progress inventory, as it is management's intention to sell the hotel. The classification to inventory rather than investment property or property, plant and equipment represents a significant estimate as there is currently no purchase and sale agreement for the hotel.

Judgments

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

- Revenue Recognition - The Corporation is required to make a judgment in determining the timing of the transfer of control- at a point in time or over time - for the recognition of revenue.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Corporation. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the policies adopted by the Corporation.

(ii) Joint ventures

The Corporation's joint ventures are those entities over whose activities the Corporation has joint control, established by contractual agreement. Joint ventures are accounted for using the equity method (equity accounted investees) and are initially recognized at cost.

(iii) Special purpose entities

The Corporation has established a number of special purpose entities ("SPE") for operating purposes. An SPE is consolidated when, based on an evaluation of the substance of its relationship with the Corporation and the SPE's risks and rewards, the Corporation concludes that it controls the SPE. SPEs controlled by the Corporation were established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in the Corporation receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to the majority of risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Corporation's interest in the investee.

(b) Business combinations

Business combinations are accounted for using the acquisition method. Determining whether an acquisition meets the definition of a business combination or represents an asset purchase requires judgment on a case by case basis. If the acquisition meets the definition of a business combination, the assets acquired and assumed liabilities are classified or designated based on the contractual terms, economic conditions, the Corporation's operating and accounting policies, and other factors that exist on the acquisition date. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

(c) Financial instruments

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

The "expected credit loss" model applies to financial assets measured at amortized cost, and contract assets and debt instruments at FVOCI.

(i) Non-derivative financial assets

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

Amortized Cost: Includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest;

FVOCI: Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest; or

FVTPL: Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through profit or loss. This includes all derivative financial assets.

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

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

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

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

(ii) Non-derivative financial liabilities

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

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

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

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

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

(iii) Share capital

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

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset, including non-recoverable indirect taxes, acquisition costs including the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Costs related to assets under construction are capitalized when incurred. Assets under construction are not depreciated until they are completed and available for use in the manner intended by management. When this occurs, the asset is transferred to property, plant and equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within operating expenses in profit or loss.

Proceeds from the sale of rental equipment that is routinely sold before the end of its useful life are included in revenue and net cash flows from operating activities. The investments in the acquisition or manufacturing of rental equipment is also included in net cash flows from operating activities if the assets are expected to be predominantly sold before the end of their useful life, otherwise the investments are included in net cash flows from investing activities.

(ii) Subsequent costs

The cost of replacing a major component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation, and its cost can be measured reliably. The carrying amount of the replaced major component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated using the depreciable amount, which is the cost of an asset, less its residual value. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

Depreciation methods, useful lives, and residual values are reviewed at each financial year end and adjusted if appropriate. Land and assets under construction are not depreciated.

(e) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures. Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. Goodwill is not amortized but is tested at least annually for impairment.

(ii) Assets acquired in business combinations

Intangible assets are intangible assets that are acquired as a result of a business combination, which arise from contractual or other legal rights and are transferable or separable. On initial recognition they are measured at fair value. Amortization is charged on a straight line basis to the statement of comprehensive income over their expected useful lives.

(iii) Assets acquired

Intangible assets are intangible assets that are acquired through contractual or other legal rights and are transferable or separable. On initial recognition they are measured at cost. Amortization is charged on a straight line basis to the statement of comprehensive income over their expected useful lives.

Amortization methods, useful lives, and residual values are reviewed at each financial year-end and adjusted if appropriate.

(f) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on a weighted average or standard cost principle and includes expenditures incurred in acquiring the inventories, production or conversion costs, and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Corporation considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated using the "expected credit loss" model and recognizes expected credit losses as a loss allowance. The Corporation recognizes an amount equal to the lifetime expected credit losses based on the Corporation's historical experience and including forward-looking information. The carrying amount of these assets in the consolidated statement of financial position is net of any loss allowance. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or assets that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). The corporation has identified five CGUs: Camps and Catering, Matting, Relocatable Structures, Western Canada Manufacturing and Eastern Canada Manufacturing. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU or group of CGUs that are expected to benefit from the synergies of the business combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Corporation's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the group of CGUs to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units), on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that an impairment may exist.

(h) Employee benefits

(i) Defined contribution plan

The Corporation's defined contribution plan is a post-employment benefit plan under which the Corporation pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss when they are due.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under the short-term cash bonus plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Share based compensation transactions

Equity-settled transactions

The grant date fair value of share-based compensation awards granted to officers and employees is recognized as an expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards (vesting period). The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Cash-settled transactions

The Corporation has a Restricted Share Unit ("RSU") plan for its eligible officers and employees. The fair value of the amount payable to officers and employees in respect of the RSUs, for which the participants are eligible to receive an equivalent cash value of the common shares at a future date, is recognized as an expense with a corresponding increase in liabilities over the period that the employees and officers provide the related service and become entitled to payment. The liability is re-measured at each reporting date and at the settlement date. Any changes in the fair value of the liability are recognized as selling & administrative expenses in profit or loss.

(i) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax risk-free rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. As at December 31, 2019 and 2018 the Corporation has recognized a provision for Asset Retirement Obligations.

(j) Revenue

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

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

(i) Camp rental and catering revenue

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

(ii) Construction contract revenue

Construction contract revenue includes the initial amount agreed to in the contract plus any variations in contract work, claims, and incentive payments, to the extent that it is highly probable that a significant revenue reversal will not occur. The Corporation recognizes revenue over time for its construction contracts, and estimates progress of these contracts by comparing costs incurred to the total expected costs of the project. Contract expenses are recognized as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognized immediately in profit or loss.

(iii) Rendering of services

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

(iv) Sale of used fleet

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

(v) Sale of other goods

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

(k) Leases

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

The Corporation has applied IFRS 16 using the modified retrospective method and therefore the comparative information has not been restated and continues to be reported under IAS 17.

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

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

Reconciliation of Lease Liability:

		Amount *(000's)*
Lease commitments, disclosed at December 31, 2018	$	24,210
Low-value asset or short-term lease commitments		(183)
Renewal options reasonably certain to be exercised		6,600
Total undiscounted lease payments	$	30,627
Discounting impact [1]		(5,287)
Lease liabilities recognized as at January 1, 2019	$	25,340

[1] The Corporation discounted lease payments using the incremental credit-risk adjusted borrowing rate of 5.3%. This rate was applied for all lease liabilities in the 2019 period.

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

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

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

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

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

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

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

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

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

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

As a lessor

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

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

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

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

(l) Finance income and costs

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise of interest expense on loans and borrowings, unwinding of the discount on ARO provisions, and changes in the fair value of financial assets at fair value through profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction, or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Earnings per share

The Corporation presents basic and diluted earnings per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the total profit or loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated by the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which is comprised of share options granted to employees.

(o) Segment reporting

A segment is a distinguishable component of the Corporation that is engaged either in providing related products or services (business segment) which is subject to risks and returns that are different from those of other segments. The business segments are determined based on the Corporation’s management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Corporation's headquarters) and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

(p) Foreign currency translation

The consolidated financial statements are presented in Canadian Dollars ("CAD").

Foreign currency transactions entered into are translated into the functional currency of the operations at the exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated into the functional currency using the exchange rate on the period end date. Foreign currency translation gains and losses resulting from the settlement of transactions and the re-translation at period end are recognized in the statement of comprehensive income within total profit. Non-monetary items that originated in a foreign currency are translated at the exchange rate from the original transaction date.

The US entity has a US Dollar ("USD") functional currency therefore translated to be included in the consolidated financial statements in CAD as follows: income and expenses are translated into CAD using the exchange rates on the dates of the transactions and the assets and liabilities on the statement of financial position are translated into CAD at the period end exchange rate. The effect of translation is recognized in other comprehensive income and included as translation of foreign operations in accumulated other comprehensive income within equity.

Foreign currency gains and losses arising from monetary items receivable from or payable to a foreign operation, for which settlement is neither planned nor likely to occur, form a part of the exchange differences in the net investment in the foreign operations and are recognized initially in other comprehensive income. Upon disposal or partial disposal of an entity with a functional currency other than CAD, any accumulated exchange differences will be reclassified to the statement of comprehensive income within total profit.

4. Determination of Fair Values

A number of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment
The fair value of property, plant and equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller, in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on the market and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

(b) Other financial assets and liabilities
The fair value of other financial assets and liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(c) Share-based compensation transactions
The fair value of the employee share options is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on measurement date, the exercise price of the instrument, the expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the weighted average expected life of the instruments (based on historical experience and general option holder behavior), the expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions are not taken into account in determining fair value.

Units issued under the Restricted Share Unit ("RSU") plan are initially measured based on fair market value of the Corporation's stock price when granted. The fair value of outstanding units is re-measured at each reporting date using the Corporation's stock price until the date of settlement. Under the terms of the RSU plan, the RSUs awarded will vest in three equal portions on the first, second and third anniversary from the grant date and will be settled in cash, in the amount equal to the fair market value of the Corporation's stock price on that date.

5. Business Combinations

(a) NRB Inc. ("NRB")

On April 1, 2019, the Corporation acquired 100% of the issued and outstanding shares of NRB for $17.2 million, payable in a mix of cash consideration, common shares of the Corporation and extinguishment of existing debt. The Corporation issued 781,250 common shares with a fair value, at the acquisition date, of $1.83 per share for total share consideration of $1.4 million.

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

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

		Amount *(000's)*
Cash	$	11,769
Shares issued		1,430
Extinguishment of debt		3,231
Working capital adjustments		777
Total consideration	$	17,207

The acquisition is being accounted for using the acquisition method on April 1, 2019, whereby the assets acquired, and the liabilities assumed were recorded at their fair values with the surplus of the aggregate consideration relative to the fair value of the identifiable net assets recorded as goodwill. The Corporation assessed the fair values of the net assets acquired based on management's best estimate of the market value, which takes into consideration the condition of the assets acquired, current industry conditions and the discounted future cash flows expected to be received from the assets as well as the amount it is expected to cost to settle the outstanding liabilities.

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

		Amount *(000's)*
Net working capital	$	4,377
Property, plant and equipment		1,202
Finance lease receivable		1,459
Deferred tax liability		(1,706)
Total net identifiable assets acquired	$	5,332
Customer relationship intangible assets		5,567
Tradename		491
Goodwill		5,817
Total consideration	$	17,207

The purchase equation and determinations of the consideration described above are final.

The goodwill arises as a result of the synergies expected to be achieved as a result of combining NRB with the rest of the Corporation. None of the goodwill recognized is expected to be deductible for income tax purposes.

From the date of acquisition to December 31, 2019, NRB contributed $42.6 million of revenue and $4.0 million of earnings before tax to the Corporation. If the business combination had been completed on January 1, 2019, the revenue and earnings before tax for the twelve month period ended December 31, 2019 would have been $45.9 million and $2.8 million respectively.

The Corporation incurred costs related to the acquisition of NRB of $0.2 million relating to share issuance, legal, due diligence and external advisory fees. The cost related to the share issuance totaling $0.01 million were included in share capital on the balance sheet. The costs related to the due diligence and external advisory fees totaling $0.2 million were included in selling & administrative expenses on the consolidated statement of comprehensive loss.

(b) Shelter Modular Inc. ("Shelter")

On April 16, 2018, the Corporation acquired all of the issued and outstanding shares of Shelter Modular Inc. for $3.6 million, payable in a combination of common shares of Horizon North ("Horizon Shares") and assumption of existing debt. The

Corporation issued 983,004 common shares with a fair value at the acquisition date of $2.37 per share for a total value of $2.3 million at closing.

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

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

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

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

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

		Amount *(000's)*
Net working capital	$	(1,867)
Property, plant and equipment		339
Deferred tax asset		2,566
Total net identifiable assets acquired	$	1,038
Goodwill		2,610
Total consideration	$	3,648

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

From the date of acquisition to December 31, 2018, Shelter contributed $1.4 million of revenue and $0.3 million of earnings before tax to the Corporation. If the business combination had been completed on January 1, 2018, the revenue and loss before income tax for the year ending December 31, 2018 would have been $3.3 million and $0.2 million respectively.

The Corporation incurred costs related to the acquisition of Shelter of $0.2 million relating to share issuance, due diligence and external advisory fees. The cost related to the share issuance totaling $0.1 million were included in share capital on the balance sheet. The costs related to the due diligence and external advisory fees totaling $0.2 million were included in selling & administrative expenses on the consolidated statement of comprehensive loss.

(c) C&V Portable Accommodations Ltd. ("C&V")

On November 1, 2018, the Corporation acquired all the operating assets and inventory of the custom manufacturing business of C&V for total cash consideration of $3.3 million. The operating assets acquired include the existing leasehold of 87,000 square feet of manufacturing space, employees, and equipment.

The acquisition was accounted using the acquisition method on November 1, 2018, whereby the assets acquired were recorded at their fair values with the surplus of the aggregate consideration relative to the fair value of the identifiable net assets recorded as goodwill. The Corporation assessed the fair values of the net assets acquired based on management's best estimate of the market value, which included the condition of the assets acquired, and current industry conditions as well as the amount it was expected to cost to settle the outstanding liabilities.

The following summarizes the recognized amounts of assets acquired:

	Amount *(000's)*
Net working capital	$ 838
Property, plant and equipment	838
Total net identifiable assets acquired	$ 1,676
Goodwill	1,637
Total consideration	$ 3,313

The goodwill arises as a result of the assembled workforce, the technical expertise and capabilities existing within the acquired facility and also the synergies expected to be achieved as a result of combining the manufacturing facility with the rest of the Corporation.

From the date of acquisition to December 31, 2018, the acquired custom manufacturing business of C&V contributed $1.1 million of revenue and $0.3 million of loss before tax to the Corporation.

The Corporation incurred costs related to the acquisition of the custom manufacturing business of C&V of $0.03 million relating to due diligence and external advisory fees.

6. Revenue

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

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

(a) Disaggregation of revenue

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

Year ended December 31, 2019 (000's)	Camp & Catering	Rentals & Logistics	Modular Solutions	Inter-segment Eliminations	Total
Products & Service Lines					
Camp Rental and Catering revenue	$ 200,206	$ —	$ —	$ —	$ 200,206
Construction contract revenue	—	—	180,474	(4,124)	176,350
Rendering of services	31,480	42,043	—	(62)	73,461
Sale of used fleet	1,061	7,450	—	(432)	8,079
Sale of other goods	—	—	—	—	—
	$ 232,747	$ 49,493	$ 180,474	$ (4,618)	$ 458,096
Timing of Revenue Recognition					
Products and services transferred over time	$ 231,686	$ 42,043	$ 180,474	$ (4,124)	$ 450,079
Products and services transferred at a point in time	1,061	7,450	—	(494)	$ 8,017
	$ 232,747	$ 49,493	$ 180,474	$ (4,618)	$ 458,096

Year ended December 31, 2018 (000's)	Camp & Catering	Rentals & Logistics	Modular Solutions	Inter-segment Eliminations	Total
Products & Service Lines					
Camp Rental and Catering revenue	$ 181,950	$ —	$ —	$ —	$ 181,950
Construction contract revenue	—	—	133,155	—	133,155
Rendering of services	32,215	37,933	—	(308)	69,840
Sale of used fleet	5,952	5,328	—	(2,871)	8,409
Sale of other goods	—	891	—	—	891
	$ 220,117	$ 44,152	$ 133,155	$ (3,179)	$ 394,245
Timing of Revenue Recognition					
Products and services transferred over time	$ 214,165	$ 37,933	$ 133,155	$ (308)	$ 384,945
Products and services transferred at a point in time	5,952	6,219	—	(2,871)	$ 9,300
	$ 220,117	$ 44,152	$ 133,155	$ (3,179)	$ 394,245

(b) Contract balances

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

(000's)	December 31, 2019	December 31, 2018
Contract assets, which are included in trade and other accounts receivables	$ 26,138	$ 29,000
Contract liabilities, which are included in deferred revenue	2,833	2,075

The contract assets relate to the Corporation's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Corporation completes a construction milestone under the agreed upon contract. The contract liabilities relate to the advance consideration received from customers for which revenue is recognized over time.

The amount of $2.1 million recognized in contract liabilities at the beginning of the period has been recognized as revenue for the year ended December 31, 2019.

As at December 31, 2019, the Corporation has a sales contract that contains a take-or-pay commitment. Minimum revenue estimated to be recognized in 2020 is $23.8 million.

7. Direct Operating Expenses

(000's)	December 31, 2019	December 31, 2018
Wages and benefits	$ 193,961	$ 151,866
Cost of goods manufactured	85,716	58,768
Job supplies	53,097	52,358
Occupancy costs	25,290	25,117
Rental equipment	4,979	6,103
Repairs & maintenance	8,118	8,122
Trucking costs	8,258	6,818
Other operating expenses	21,662	26,804
Direct costs	$ 401,081	$ 335,956

The amount of inventories recognized as an expense during the year ended December 31, 2019 is $85.7 million (2018 - $58.8 million).

8. Selling & Administrative Expenses

(000's)	December 31, 2019	December 31, 2018
Salaries and benefits	$ 17,901	$ 14,673
Other selling & administrative expenses	8,183	6,933
Selling & administrative expenses	$ 26,084	$ 21,606
Share based compensation	2,720	1,369
	$ 28,804	$ 22,975

9. Finance Costs

(000's)	December 31, 2019	December 31, 2018
Interest expense	$ 4,217	$ 2,659
Interest expense on lease obligations	1,501	—
Accretion	325	235
Finance costs	$ 6,043	$ 2,894

10. Income Taxes

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

	Twelve months ended December 31,	
(000's)	2019	2018
Loss before tax	$ (112,005)	$ (10,123)
Combined federal and provincial income tax rate	26.50%	27.00%
Expected income tax recovery	$ (29,681)	$ (2,733)
Non-deductible share based compensation	309	283
Changes in tax rates	(1,900)	(69)
Deferred taxes not recognized	—	406
Non-taxable portion of capital gain	18	(10)
Non-deductible impairment loss	4,566	—
Non-deductible and other	(531)	196
	$ (27,219)	$ (1,927)

For the year ended December 31, 2019 income tax recovery was $27.2 million (2018 - $1.9 million), with an effective tax rate of 24.3% (2018 - 19.0%). The increase in income tax recovery was attributable to a larger net loss for the year ended December 31, 2019 and the lower corporate income tax rate enacted by the Government of Alberta in June 2019, partially offset by the permanent difference resulting from the non-deductible impairment loss. During the second quarter of 2019, the Government of Alberta enacted a phased decrease in the provision corporate income tax rate from 12% to 8% over four years, commencing with a 1% decrease on July 1, 2019 followed by a 1% reduction on January 1 of each of the next three years.

Deferred tax assets and liabilities

(a) The Corporation has non-capital losses for Canadian tax purposes of $59.4 million available to reduce future taxable income in Canada, and non-capital losses for United States tax purposes of $0.8 million available to reduce future taxable income in the United States, which will expire after 2022.

(b) Deferred tax assets have not been recognized in respect of certain tax losses of $2.0 million (2018 - $2.0 million). Tax losses not recognized expire in 2028 and beyond. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the subsidiary of the Corporation can utilize the benefits.

The components of net deferred tax asset (liability) recognized are as follows:

	Assets		Liabilities		Net	
(000's)	2019	2018	2019	2018	2019	2018
Property, plant and equipment	$ 13	$ 137	$ (31,274)	$ (53,267)	$ (31,261)	$ (53,130)
Right of use assets	6,864	—	(6,936)	—	(72)	—
Intangible assets	4,348	3,041	(1,413)	(328)	2,935	2,713
Goodwill	—	1,913	(185)	(151)	(185)	1,762
Non-capital loss carry forwards	13,497	6,628	—	—	13,497	6,628
Restructuring costs	—	69	—	—	—	69
Asset retirement obligation	2,992	3,586	—	—	2,992	3,586
Reserves	958	434	(2,258)	(2,174)	(1,300)	(1,740)
Foreign exchange adjustments	—	1	—	—	—	1
Share issue costs	386	797	—	—	386	797
Deferred tax asset					$ —	$ —
Deferred tax liability					(13,008)	(39,314)
					$ (13,008)	$ (39,314)

Movements in temporary differences during the year ended December 31, 2019 are as follows:

(000's)	December 31, 2018	Recognized in profit and loss	Recognized in equity	Recognized from business combination	December 31, 2019
Property, plant and equipment	$ (53,130)	$ 21,929	$ —	$ (60)	$ (31,261)
Right of use assets	—	(72)	—	—	(72)
Intangible assets	2,713	1,819	—	(1,597)	2,935
Goodwill	1,762	(1,947)	—	—	(185)
Non-capital loss carry forwards	6,628	6,869	—	—	13,497
Restructuring costs	69	(69)	—	—	—
Asset retirement obligation	3,586	(594)	—	—	2,992
Reserves	(1,740)	531	—	(91)	(1,300)
Foreign exchange adjustments	1	(1)	—	—	—
Share issue costs	797	(413)	2	—	386
	$ (39,314)	$ 28,052	$ 2	$ (1,748)	$ (13,008)

Movements in temporary differences during the year ended December 31, 2018 are as follows:

(000's)	December 31, 2017	Recognized in profit and loss	Recognized in equity	Recognized from business combination	December 31, 2018
Property, plant and equipment	$ (54,686)	$ 1,517	$ —	$ 39	$ (53,130)
Intangible assets	2,202	511	—	—	2,713
Goodwill	1,887	(125)	—	—	1,762
Non-capital loss carry forwards	581	3,517	—	2,530	6,628
Net capital loss carry forwards	166	(166)	—	—	—
Restructuring costs	65	4	—	—	69
Asset retirement obligation	3,932	(346)	—	—	3,586
Reserves	(127)	(1,613)	—	—	(1,740)
Foreign exchange adjustments	1	—	—	—	1
Share issue costs	470	(368)	695	—	797
	$ (45,509)	$ 2,931	$ 695	$ 2,569	$ (39,314)

11. Trade and other receivables

(000's)	December 31, 2019	December 31, 2018
Trade receivable	$ 36,275	$ 28,469
Accrued receivable	46,101	30,687
Construction receivables	35,064	45,910
Other receivables	1,505	960
	118,945	106,026
Allowance for doubtful accounts	(2,638)	(3,059)
Trade and other receivables	$ 116,307	$ 102,967

Construction receivables represent progress billings to customers under open construction contracts, holdback amounts billed on construction contracts which are not due until the contract work is substantially completed and amounts recognized as revenue under open construction contracts not billed to customers. The Corporation estimates that the carrying value of financial assets within trade and other receivables approximate their fair value.

12. Inventories

(000's)	December 31, 2019	December 31, 2018
Raw materials	$ 7,282	$ 4,228
Work-in-progress	7,677	—
Finished goods	5,830	4,554
Inventories	$ 20,789	$ 8,782

The work-in-progress inventory relates to the construction of a hotel. Management's intention is to sell the hotel upon completion.

13. Property, Plant and Equipment

Carrying Amounts (000's)	Camp facilities, setup & installation	Land & buildings	Automotive & trucking equipment	Mats	Furniture, fixtures & other equipment	Asset retirement obligations	Assets under construction	Total
Cost								
December 31, 2017	$ 416,034	$ 63,001	$ 44,315	$ 20,203	$ 6,211	$ 14,321	$ 2,100	$ 566,185
Additions from business combination (Note 5)	—	377	173	—	627	—	—	1,177
Additions	25,368	2,097	3,342	8,737	1,157	3,907	(1,445)	43,163
Disposals	(30,355)	(5,979)	(3,993)	(4,705)	(1,514)	(3,646)	—	(50,192)
December 31, 2018	$ 411,047	$ 59,496	$ 43,837	$ 24,235	$ 6,481	$ 14,582	$ 655	$ 560,333
Additions from business combination (Note 5)	—	403	203	—	596	—	—	1,202
Reclassification of capital leases(1)	(988)	—	(90)	—	—	—	—	(1,078)
Additions	43,716	2,573	7,066	10,564	1,365	(32)	7,382	72,634
Disposals	(4,305)	—	(6,017)	(7,982)	(1,060)	—	—	(19,364)
December 31, 2019	$ 449,470	$ 62,472	$ 44,999	$ 26,817	$ 7,382	$ 14,550	$ 8,037	$ 613,727
Accumulated Depreciation								
December 31, 2017	$ 160,046	$ 12,274	$ 30,647	$ 13,653	$ 4,616	$ 6,827	$ —	$ 228,063
Depreciation	23,553	2,138	4,461	4,185	676	3,527	—	38,540
Disposals	(21,624)	(1,400)	(3,124)	(2,990)	(702)	(3,553)	—	(33,393)
December 31, 2018	$ 161,975	$ 13,012	$ 31,984	$ 14,848	$ 4,590	$ 6,801	$ —	$ 233,210
Reclassification of capital leases(1)	(53)	—	(9)	—	—	—	—	(62)
Depreciation	25,068	1,918	4,128	4,497	948	1,880	—	38,439
Disposals	(2,877)	—	(5,840)	(4,810)	(1,042)	—	—	(14,569)
Impairment (Note 16)	67,959	—	—	—	—	—	—	67,959
December 31, 2019	$ 252,072	$ 14,930	$ 30,263	$ 14,535	$ 4,496	$ 8,681	$ —	$ 324,977
Net book value								
December 31, 2019	$ 197,398	$ 47,542	$ 14,736	$ 12,282	$ 2,886	$ 5,869	$ 8,037	$ 288,750
December 31, 2018	$ 249,072	$ 46,484	$ 11,853	$ 9,387	$ 1,891	$ 7,781	$ 655	$ 327,123

(1) Capital leases previously presented with Property, plant and equipment have been reclassified to Right-of-use assets under IFRS 16.

Assets under construction

At December 31, 2019 and December 31, 2018, included in assets under construction are internal information technology projects under development, and fleet equipment under construction for expansion purposes. The Corporation has not capitalized any borrowing costs for the year ended December 31, 2019 (2018 - nil), due to the short-term nature of construction.

14. Leases

The Corporation leases assets including camp facilities, building, automotive & trucking equipment, and furniture, fixtures & other equipment.

(i) Right-of-use assets

(000's)	Camp facilities, setup & installation	Buildings	Automotive & trucking equipment	Furniture, fixtures & other equipment	Total
Cost					
January 1, 2019	$ 2,114	$ 25,226	$ 296	$ 52	$ 27,688
Additions	1,184	5,793	—	41	7,018
December 31, 2019	$ 3,298	$ 31,019	$ 296	$ 93	$ 34,706
Accumulated Depreciation					
January 1, 2019	$ 53	$ —	$ 9	$ —	$ 62
Depreciation	484	5,193	135	33	5,845
December 31, 2019	$ 537	$ 5,193	$ 144	$ 33	$ 5,907
Net book value					
December 31, 2019	$ 2,761	$ 25,826	$ 152	$ 60	$ 28,799

(ii) Lease liabilities

Maturity Analysis – contractual undiscounted cash flows	(000's)
Less than one year	$ 7,134
One to five years	14,709
More than five years	9,836
Total undiscounted lease payable as at December 31, 2019	$ 31,679
Lease liabilities included in the statement of financial position at December 31, 2019:	$ 26,378
Current	6,231
Non-current	20,147

Total interest on lease liabilities recognized in finance costs was $1.5 million and total operating leases expensed, not included in the measurement of the lease liabilities, was $1.7 million for the twelve months ended December 31, 2019.

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

15. Intangible Assets and Goodwill

Intangible Assets (000's)	Trade names	Architectural Design	Customer contracts	Total
Cost				
December 31, 2017	$ 1,590	$ 439	$ 6,053	$ 8,082
December 31, 2018	$ 1,590	$ 439	$ 6,053	$ 8,082
Additions through business combinations (Note 5)	491	—	5,567	6,058
Additions	—	—	3,500	3,500
Disposals	—	—	(6,053)	(6,053)
December 31, 2019	$ 2,081	$ 439	$ 9,067	$ 11,587
Accumulated Amortization				
December 31, 2017	$ 361	$ 139	$ 3,234	$ 3,734
Amortization	234	88	2,427	2,749
December 31, 2018	$ 595	$ 227	$ 5,661	$ 6,483
Amortization	273	87	2,545	2,905
Disposals	—	—	(6,053)	(6,053)
December 31, 2019	$ 868	$ 314	$ 2,153	$ 3,335
Net book value				
December 31, 2019	$ 1,213	$ 125	$ 6,914	$ 8,252
December 31, 2018	$ 995	$ 212	$ 392	$ 1,599

Goodwill (000's)	December 31, 2019	December 31, 2018
Balance, beginning of year	$ 24,792	$ 20,545
Additions through business combinations (Note 5)	5,817	4,247
Impairment (Note 16)	(17,231)	—
Adjustment of prior year business acquisition	197	$ —
Balance, end of year	$ 13,575	$ 24,792

At December 31, 2019, Goodwill, with a carrying amount of $7.8 million and $5.8 million was allocated to the Western Canada Manufacturing and Eastern Canada Manufacturing CGUs, respectively.

16. Impairment

(a) Impairment indicators

For the purpose of impairment testing, the Corporation's assets are grouped and reviewed at the CGU level which represent the lowest level at which cash flows are generated. Goodwill is allocated to the Corporation's CGU which represent the lowest level at which goodwill is monitored for internal management purposes and which are not higher than the Corporation's operating segments.

During the year ended December 31, 2019 the Corporation determined that the excess of the carrying amount of the net assets of the Corporation over the market capitalization of the Corporation, together with the Proposed Transaction discussed in Note 30, were considered indicators of impairment. These indicators of impairment were relevant for the Camp & Catering, Matting, Relocatable Structures and Eastern Canada and Western Canada Manufacturing CGUs.

(b) Impairment testing for cash-generating units

The recoverable amounts of the CGUs were determined based on value in use calculation using discounted future cash flows generated from the continuing use of the unit over a five year period which incorporates the Corporation's 2020 budget approved by the Board of Directors and estimated growth rates in subsequent years. The calculation of the value in use was based on the following key assumptions:

- The approved 2020 budget uses current and anticipated contracts and market conditions to project revenue. Costs are calculated using historical gross margins and additional known or pending factors.

- The projections were based on a five year forecasted cash flow and extrapolated over the remaining useful life of the primary assets and discounted at a post-tax rate of 13.50% (2018 - 13.90%) for all CGUs. The discount rate was estimated based on the Corporation's weighted average cost of capital, taking into account the nature of the assets being valued and their specific risk profile.
- Based on management's best estimates at December 31, 2019, a historic five year average utilization, direct labour hours, revenue per rentable day and profit margins, plus a 2% price inflation per year, were used to project cash flows from 2021 to 2024. Based on management's best estimate at December 31, 2019 a 2% to 5% growth rate was used to project the cash flows from 2021 to 2024.
- The cash flows beyond 2024 have been extrapolated using a 2% per annum growth rate.
- The forecasted cash flows are based on management's best estimates of future pricing, asset utilization, rates for available equipment and costs to maintain that equipment.

The results of the tests indicated impairment of $85.2 million for the Camp & Catering CGU as at December 31, 2019 (2018 - nil), of which $17.2 million was attributed to the carrying amount of the CGU's goodwill. The remainder was allocated to camp facilities, setup and installation assets. No impairment was noted for the Matting, Relocatable Structures, and Eastern and Western Canada Manufacturing CGUs (2018 - nil).

The most sensitive inputs to the value in use model used for all CGU's are the discount rate and the growth rate:

- All else being equal, a 0.5% increase in the discount rate for the Camp & Catering CGU would have resulted in the carrying amount exceeding the recoverable amount by $120.5 million.
- All else being equal, a 1.0% decrease in the growth rate for the Camp & Catering CGU would have resulted in the recoverable amount exceeding the carrying amount by $104.2 million.

17. Other Assets

Other assets at December 31, 2019 consists of a $3.3 million (2018 - nil) equity accounted investment in Gitxaala Horizon North Services Limited Partnership (Gitxaala), a joint venture that is 49% owned by the Corporation.

Other assets at December 31, 2018 consisted of a 25 year prepaid lease for a building and land to accommodate a portion of the Corporation's manufacturing operations in Kamloops, British Columbia with a carrying amount of $1.9 million, subsequently moved to right-of-use assets under IFRS 16, and an investment held for sale measured at fair value through profit and loss with a fair value of $0.9 million, which was disposed of during the year.

18. Loans and borrowings

(000's)	December 31, 2019	December 31, 2018
Committed credit facility	$ 108,405	$ 30,838
Unamortized financing costs	(339)	—
Total borrowings	$ 108,066	$ 30,838

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

The Credit Facility has an available limit of $150.0 million and is secured by a $400.0 million first fixed and floating charge debenture over all assets of the Corporation and its wholly-owned subsidiaries. Effective September 26, 2019, Horizon North reached an agreement with its lenders to amend its Credit Facility and extend the maturity date to September 30, 2021. The amended credit facility also provided covenant relief.

Effective March 10, 2020, Horizon North amended its Credit Facility to include a $15.0 million temporary facility that is required to be repaid by July 31, 2020. The interest rate for both the Credit Facility and the temporary facility is calculated on a grid pricing structure based on the Corporation's debt to EBITDAS ratio. Debt to EBITDAS is calculated as at the quarter end for the most recently completed calendar quarter and for the 12 months ended on such date. Amounts drawn on the Credit Facility incur interest at bank prime rate plus 0.45% to 3.00% or the Bankers' Acceptance rate plus 1.45% to 4.00%. The Credit Facility has a standby fee ranging from 0.29% to 0.80%. The covenants were also amended as follows:

Debt Covenants	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021 and thereafter
Amended covenants:					
Minimum trailing 12 months EBITDAS(3)	$11.8 million	$23.7 million	$28.4 million	N/A	N/A
Maximum Senior debt(1) to EBITDAS	N/A	N/A	N/A	3.75:1:00	3.00:1:00
Maximum Total debt(2) to EBITDAS	N/A	N/A	N/A	4.25:1:00	4.25:1:00
Minimum Interest Coverage ratio(6)	2:00:1:00	3:00:1:00	3:00:1:00	3:00:1:00	3:00:1:00
Previous covenants:					
Maximum Senior debt to EBITDAS	4.50:1:00	3.75:1:00	3.50:1:00	3.00:1:00	3.00:1:00
Maximum Total debt to EBITDAS	4.50:1:00	4.25:1:00	4.25:1:00	4.25:1:00	4.25:1:00
Minimum Interest Coverage ratio	3:00:1:00	3:00:1:00	3:00:1:00	3:00:1:00	3:00:1:00

The Credit Facility is subject to the following financial covenants at December 31, 2019:

Debt Covenants	Covenants Calculation December 31, 2019
Maximum Consolidated Senior debt (1) to Consolidated Adjusted EBITDAS ratio (3)(4) (must be 5.25:1.00 or less)	4.67:1:00
Maximum Consolidated Total debt (2) to Consolidated Adjusted EBITDAS ratio (3)(5) (must be 5.25:1.00 or less)	4.67:1:00
Minimum Consolidated Interest coverage ratio(6) (must be 3.00:1.00 or more)	6.50:1:00

(1) *Senior debt is calculated as the sum of current and long-term portions of total loans and borrowings less vehicle and equipment financing.*
(2) *Total debt is calculated as the sum of current and long-term portions of total loans and borrowings, excluding lease liabilities under IFRS 16.*
(3) *Adjusted EBITDAS (Earnings before interest, taxes, depreciation, amortization, share based compensation, impairment, gain/loss on disposal of property, plant and equipment, less the impact of the adoption of IFRS 16) is not a recognized measure under IFRS. Management believes that in addition to total profit and total comprehensive income, EBITDAS is a useful supplemental earnings measure as it provides an indication of the Corporation's operating performance and it is regularly provided to and reviewed by the Chief Operating Decision Maker. Horizon North's method of calculating EBITDAS may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities.*
(4) *Senior debt to EBITDAS is calculated as the ratio of senior debt to trailing 12 months Adjusted EBITDAS.*
(5) *Total debt to EBITDAS is calculated as the ratio of total debt to trailing 12 months Adjusted EBITDAS.*
(6) *Interest coverage is calculated as the ratio of trailing 12 months Adjusted EBITDAS to 12 months trailing interest expense on loans and borrowings.*

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

19. Asset retirement obligations

Provisions include constructive site restoration obligations for camp projects to restore lands to previous condition when camp facilities are dismantled and removed.

(000's)	December 31, 2019	December 31, 2018
Balance, beginning of year	$ 13,282	$ 14,564
Additions	—	3,768
Discount rate change	171	(23)
Accretion of provisions	205	235
Asset retirement obligations settled	(1,278)	(5,424)
Revisions	(220)	162
Balance, end of year	$ 12,160	$ 13,282

The estimated present value of rehabilitating the sites at the end of their useful lives has been estimated using existing technology, at inflated prices, and discounted using a risk-free rate. The future value amount at December 31, 2019 was $13.0 million (2018 - $14.3 million) and determined using risk free interest rates of 1.68% to 1.71% (2018- 1.85% to 2.13%) and an inflation rate of 2.0% (2018 - 2.0%). The timing of these payments is dependent on various factors, such as the estimated lives of the equipment and industry activity in the region but is anticipated to occur between 2020 and 2028.

(000's)	December 31, 2019	December 31, 2018
Current	$ 5,810	$ 1,835
Non-current	6,350	11,447
Balance, end of year	$ 12,160	$ 13,282

20. Commitments

Capital commitments

The Corporation currently has a capital commitment of $8.0 million related to a contract for the provision of temporary construction modular units and large complexes for a client supporting LNG development.

Other commitments

The tax regulations and legislation in the various jurisdictions that the Corporation operates in are continually changing. As a result, there are generally tax matters under review. Management has appropriately recognized tax assets and liabilities based on the Corporation's interpretation of the relevant tax legislation and regulations and likelihood of recovery or payment.

21. Share Capital

(a) Authorized

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

(b) Issued

	Number	Amount (000's)
Balance at December 31, 2017	144,675,339	$ 286,754
Share options exercised	87,666	181
Bought-deal equity financing	17,857,200	50,000
Common shares issued	1,648,783	3,330
Share issue costs, net of tax of $0.7 million	—	(1,888)
Balance at December 31, 2018	164,268,988	$ 338,377
Share options exercised	366,666	546
Common shares issued	781,250	1,430
Balance at December 31, 2019	165,416,904	$ 340,353

On April 1, 2019, the Corporation acquired 100% of the issued and outstanding shares of NRB Inc. for an aggregate purchase price of $17.2 million including the issuance of 781,250 common shares of the Corporation (Note 5).

(c) Share option plan

The Corporation has a share option plan for its directors, officers, and key employees whereby options may be granted, to a maximum of 10% of the issued and outstanding common shares, subject to terms and conditions. Share option vesting privileges are at the discretion of the Board of Directors and were set at three years. The Corporation uses graded vesting for share options over the period in which the option vests. All share options are equity settled with a weighted average remaining contractual life of 2.6 years and all options granted have a maximum term of 5 years.

	Year ended December 31, 2019			Year ended December 31, 2018		
	Outstanding options		Weighted average exercise price	Outstanding options		Weighted average exercise price
Balance, beginning of period	9,758,076	$	2.78	8,342,385	$	2.97
Granted	3,019,812		1.84	2,115,707		2.53
Forfeited	(1,489,564)		2.77	(388,350)		3.42
Expired	(1,220,385)		7.64	(224,000)		6.73
Exercised	(366,666)		1.16	(87,666)		1.68
Balance, end of period	9,701,273	$	1.94	9,758,076	$	2.78

	Year ended December 31, 2019			Year ended December 31, 2018		
	Exercisable options		Weighted average exercise price	Exercisable options		Weighted average exercise price
Balance, beginning of period	5,575,365	$	3.38	4,029,525	$	4.43
Vested	1,970,560		1.80	2,165,855		1.78
Forfeited	(835,482)		3.31	(308,349)		3.91
Expired	(1,220,385)		7.64	(224,000)		6.73
Exercised	(366,666)		1.16	(87,666)		1.68
Balance, end of period	5,123,392	$	1.93	5,575,365	$	3.38

The exercise prices for options outstanding and exercisable at December 31, 2019 are as follows:

	Total options outstanding				Exercisable options		
Exercise price per share	Number		Weighted average exercise price per share	Weighted average remaining contractual life in years	Number		Weighted average exercise price per share
$1.04 to $1.32	926,800	$	1.13	2.0	715,000	$	1.16
$1.33 to $1.75	2,166,834		1.47	2.4	1,437,331		1.48
$1.76 to $1.92	2,960,639		1.88	4.0	458,235		1.82
$1.93 to $2.40	2,218,000		2.26	0.6	1,968,500		2.30
$2.41 to $3.35	1,429,000		2.79	3.3	544,326		2.85
	9,701,273	$	1.94	2.6	5,123,392	$	1.93

The weighted average share price at the date of exercise for share options exercised during the year ended December 31, 2019 was $2.32/share (2018 - $2.53/share).

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

		December 31, 2019
Fair value per option	$	0.48
Forfeiture rate		8.49%
Grant price	$	1.84
Expected life		3.00
Risk free interest rate		1.42%
Dividend yield rate		4.47%
Volatility		48.67%

Expected volatility is estimated by considering historic average share price volatility. For the year ended December 31, 2019, share based compensation for share options included in net loss amounted to $1.2 million (2018 - $1.0 million).

(d) Restricted share unit plan

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

The following table summarizes the RSU's outstanding:

	Number
Outstanding at December 31, 2018	1,992,614
Granted	1,240,035
Forfeited	(286,353)
Settled	(948,660)
Outstanding at December 31, 2019	1,997,636

As at December 31, 2019, $1.2 million (2018 - $0.3 million) was included in accounts payable and accrued liabilities for outstanding RSU's. For the year ended December 31, 2019, share based compensation for RSU's included in operating loss amounted to $2.7 million (2018 - $1.7 million), with a weighted average remaining term of 2.1 years.

22. Earnings Per Share

The calculation of basic earnings per share for the twelve months ended December 31, 2019 was based on the total loss attributable to common shareholders of $84.8 million (2018 – $8.2 million).
A summary of the common shares used in calculating earnings per share is as follows:

	December 31, 2019	December 31, 2018
Number of common shares, beginning of period	164,268,988	144,675,339
Weighted average effect of common shares issued	826,563	10,644,950
Weighted average common shares outstanding – basic	165,095,551	155,320,289
Effect of share purchase options[1]	—	—
Weighted average common shares outstanding – diluted	165,095,551	155,320,289

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

For the year ended December 31, 2019, 9,701,273 share options (2018 – 9,758,076) were excluded from the calculation of weighted average common shares outstanding - diluted as the result would be anti-dilutive.

23. Dividends

For the twelve months ended December 31, 2019, the Corporation paid dividends totaling $13.2 million (December 31, 2018 - $12.4 million).

(000's except per share amounts)	**2019**		**2018**	
Record Date	Amount per share	Total dividend amount	Amount per share	Total dividend amount
March 31	$ 0.02	$ 3,285	$ 0.02	$ 2,907
June 30	0.02	3,309	0.02	3,285
September 30	0.02	3,309	0.02	3,285
December 31	0.02	3,309	0.02	3,285
	$ 0.08	$ 13,212	$ 0.08	$ 12,762

24. Financial Risk Management

(a) Overview

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

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

(b) Credit risk

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

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

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

(000's)	December 31, 2019	December 31, 2018
Trade receivables		
Current	$ 19,900	$ 16,944
Outstanding 31-60 days	7,749	4,908
Outstanding 61-90 days	2,744	2,068
Outstanding more than 90 days	5,882	4,549
Total trade receivables	$ 36,275	$ 28,469
Construction receivables		
Current	$ 1,531	$ 13,658
Outstanding 31-60 days	1,159	73
Outstanding 61-90 days	1,571	1,055
Outstanding more than 90 days	4,665	2,124
Total construction receivables	$ 8,926	$ 16,910
Accrued revenue	$ 46,101	$ 30,687
Accrued construction revenue	26,138	29,000
Other receivables	1,505	960
Allowance for doubtful accounts	(2,638)	(3,059)
Total trade and other receivables	$ 116,307	$ 102,967

As at December 31, 2019, the Corporation provided an allowance for $2.6 million of receivables. As at March 11, 2020, the Corporation has collected $1.4 million on amounts outstanding more than 90 days as at December 31, 2019.

Construction receivables represent progress billings to customers under open construction contracts, holdback amounts billed on construction contracts which are not due until the contract work is substantially completed, amounts recognized as revenue under open construction contracts not billed to customers and highly probable claims. At December 31, 2019, included in current construction receivables were holdbacks of $4.4 million (December 31, 2018 - $6.9 million).

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.

(c) Liquidity risk

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

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

As at December 31, 2019, $108 million was drawn against the credit facility (Note 18) and the Corporation had outstanding issued letters of credit of $1 million.

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

	December 31, 2019			December 31, 2018		
	Trade and other payables(1)	Lease liabilities(2)	Loans and borrowings(3)	Trade and other payables(1)	Lease liabilities(2)	Loans and borrowings(3)
Year 1	$ 86,513	$ 7,134	$ —	$ 51,937	$ 828	$ —
Year 2	—	5,703	108,405	4,382	—	30,838
Year 3	2,295	3,991	—	—	—	—
Year 4	57	2,739	—	424	—	—
Year 5 and beyond	3,998	12,112	—	6,641	—	—
	$ 92,863	$ 31,679	$ 108,405	$ 63,384	$ 828	$ 30,838

(1) Trade and other payables include trade and other payables, income taxes payable and asset retirement provisions.
(2) Lease liabilities include total undiscounted lease payments.
(3) Loans and borrowings include Horizon North's senior secured revolving term credit facility and excludes interest costs.

(d) Market risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on future performance of the Corporation. The market price movements that could adversely affect the value of the Corporation's financial assets, liabilities and expected future cash flows include foreign currency exchange risk and interest rate risk. As the Corporation's exposure to foreign currency exchange risk and interest rate risk is limited, the Corporation does not currently hedge its financial instruments.

(i) Foreign currency exchange risk

The Corporation has limited exposure to foreign currency exchange risk as sales and purchases are typically denominated in CAD. The Corporation's exposure to foreign currency exchange risk arises from the purchase of some raw materials, which are denominated in USD, and foreign operations with USD functional currency.

As the foreign currency exchange risks are primarily based on the realized foreign exchange, the following sensitivity analysis is to determine the impact on cash used in operating activities. The effect of a $0.01 increase in the USD/CAD exchange rate would decrease cash used in operating activities for the twelve months ended December 31, 2019 by approximately $0.02 million (December 31, 2018 - $0.06 million). This assumes that the quantity of USD raw material purchases and the foreign operations in the year remain unchanged and that the change in the USD/CAD exchange rate is effective from the beginning of the year.

(ii) Interest rate risk

The Corporation is exposed to interest rate risk as changes in interest rates may affect interest expense and future cash flows. The primary exposure is related to the Corporation's revolving credit facility which bears interest at a rate of prime plus 0.45% to 3.00% or the Bankers' Acceptance rate plus 1.45% to 4.00%. If prime were to have increased by 1.00%, it is estimated that the Corporation's net earnings would have decreased by approximately $0.8 million for the twelve months ended December 31, 2019 (December 31, 2018 - $0.6 million). This assumes that the amount and mix of fixed and floating rate debt in the year remains unchanged and that the change in interest rates is effective from the beginning of the year.

25. Capital Management

The Corporation's main objective is to build a profitable, growth-oriented company. Therefore, the Corporation's primary capital management objective is to maintain a conservative balance sheet to maintain investor, creditor, and market confidence and to sustain future development of the business.

The Corporation monitors capital through two key ratios: total loans and borrowings to Adjusted EBITDAS(1) and total loans and borrowings to total loans and borrowings plus shareholders' equity.

Total loans and borrowings to Adjusted EBITDAS is calculated as current loans and borrowings plus long-term loans and borrowings divided by trailing 12 months Adjusted EBITDAS. Total loans and borrowings to Adjusted EBITDAS is monitored from both a historical and anticipated Adjusted EBITDAS perspective.

Total loans and borrowings to total loans and borrowings plus shareholders equity is calculated as current loans and borrowings plus long-term loans and borrowings divided by current loans and borrowings plus long-term loans and borrowings plus shareholders' equity.

The Corporation's strategy during the year ended December 31, 2019, which was unchanged from 2018, is to maintain an appropriate level of loans and borrowings in comparison to EBITDAS and total loans and borrowings plus shareholders' equity.

(000's)	December 31, 2019	December 31, 2018
Statement of financial position components of ratios		
Current loans and borrowings (2)	$ —	$ 772
Loans and borrowings(2)	108,066	30,894
Total loans and borrowings	$ 108,066	$ 31,666
Shareholders' equity	241,765	336,743
Total loans and borrowings plus shareholders' equity	$ 349,831	$ 368,409
Statement of comprehensive income components of ratios (trailing 12 months)		
Operating loss	$ (105,127)	$ (7,296)
Earnings (loss) from equity investments	(401)	67
Depreciation	44,293	38,540
Amortization	2,913	2,749
Impairment loss	85,190	—
Gain on disposal of property, plant and equipment	(169)	(61)
Share based compensation	3,831	2,751
EBITDAS(1)	$ 30,530	$ 36,750
Less: Impact of IFRS 16	7,405	—
Adjusted EBITDAS(1)	$ 23,125	$ 36,750
Total loans and borrowings to EBITDAS(1)	4.67	0.86
Total loans and borrowings to total loans and borrowings plus shareholders' equity	0.31	0.09

(1) EBITDAS (Earnings before interest, taxes, depreciation, amortization, share based compensation, impairment, and gain/loss on disposal of property, plant and equipment) and Adjusted EBITDAS (EBITDAS less the impact of IFRS 16) are not recognized measures under IFRS. Management believes that in addition to total profit and total comprehensive income, EBITDAS and Adjusted EBITDAS are useful supplemental earnings measures as they provide an indication of the Corporation's operating performance and are regularly provided to and reviewed by the Chief Operating Decision Maker. Horizon North's method of calculating EBITDAS may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities.

(2) The Corporation's loans and borrowings in 2019 include the committed credit facility. Loans and borrowings in 2018 include the committed credit facility and lease liabilities. The Corporation's variable-rate committed credit facility approximates its carrying value, as it is at a floating market rate of interest.

26. Operating segments

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

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

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

Twelve months ended December 31, 2019 (000's)	Camp & Catering	Rentals & Logistics	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	$ 232,747	$ 49,493	$ 180,474	$ —	$ (4,618)	$ 458,096
EBITDAS[1]	27,286	13,028	3,976	(13,259)	(501)	30,530
Depreciation and amortization	30,041	10,790	5,783	600	(8)	47,206
(Gain) loss on disposal of assets	50	(233)	32	(18)	—	(169)
Share based compensation	467	229	300	2,835	—	3,831
Operating profit (loss)	(88,461)	2,241	(2,140)	(16,675)	(92)	(105,127)
Total assets	313,789	67,865	99,670	4,106	(517)	484,913
Capital expenditures	56,994	3,262	1,060	828	—	62,144

Twelve months ended December 31, 2018 (000's)	Camp & Catering	Rentals & Logistics	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	$ 220,117	$ 44,152	$ 133,155	$ —	$ (3,179)	$ 394,245
EBITDAS(1)	27,565	12,404	10,466	(13,752)	—	36,683
Depreciation and amortization	29,465	10,001	1,395	425	3	41,289
(Gain) loss on disposal of assets	(174)	(541)	245	409	—	(61)
Share based compensation	360	147	216	2,028	—	2,751
Operating profit (loss)	(2,086)	2,797	8,610	(16,614)	(3)	(7,296)
Total assets	344,297	54,436	70,810	2,867	—	472,410
Capital expenditures	26,385	10,356	2,416	288	—	39,445

(1) EBITDAS (Earnings before interest, taxes, depreciation, amortization, share based compensation, impairment and gain/loss on disposal of property, plant and equipment) is not a recognized measure under IFRS. Management believes that in addition to total profit and total comprehensive income, EBITDAS is a useful supplemental earnings measure as it provides an indication of the Corporation's operating performance and it is regularly provided to and reviewed by the Chief Operating Decision Maker. Horizon North's method of calculating EBITDAS may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities.

27. Related parties

(000's)	December 31, 2019	December 31, 2018
Joint venture		
Revenue	$ 6,284	$ —
Recovery of administrative overhead	53	—
Included in accounts receivable	9,931	—
Key management personnel interests		
Revenue	393	256
Included in accounts receivable	207	84

The Corporation earned revenue of $6.3 million for the year ended December 31, 2019 for the manufacturing, installation and transportation of relocatable units provided to Gitxaala Horizon North Services LP, a joint venture that was formed in 2019 and is 49% owned by the Corporation. There was also $0.1 million in management fees and cost recoveries for administrative overhead related to accounting and management services.

The Corporation earned revenue during the year ended December 31, 2019 of $0.4 million (2018 - $0.3 million) for catering services provided to a company of which a director of the Corporation is a Director. There was $0.2 million (2018 - $0.1 million) included in trade receivables as at December 31, 2019.

All related party transactions are in the normal course of operations and have been measured at the agreed exchange amounts, which is the amount of consideration established and agreed to by the related parties and is similar to those negotiated with third parties. All outstanding balances are to be settled with cash, and none of the balances are secured.

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. Key management personnel of the Corporation include its named executive officers and the board of directors.

Key management personnel compensation for the year ended December 31, 2019 and 2018 is comprised as follows:

(000's)	December 31, 2019	December 31, 2018
Short-term employee benefits	$ 3,256	$ 2,936
Post-employment benefits	76	65
Share based compensation	1,356	1,510
	$ 4,688	$ 4,511

28. Supplemental Information

Components of change in non-cash working capital balances related to operating activities:

(000's)	December 31, 2019	December 31, 2018
Trade and other receivable	$ (96)	$ (3,364)
Inventories	(10,907)	(1,355)
Prepayments	2,154	1,061
Finance lease receivable	(905)	—
Investment held for sale	—	(858)
Trade and other payables	28,146	14,905
Deferred revenue	758	(4,933)
	$ 19,149	$ 5,456

Components of change in non-cash working capital balances related to investing activities:

(000's)	December 31, 2019	December 31, 2018
Trade and other payables	$ (8,050)	$ (190)

29. Significant Subsidiaries

The consolidated financial statements of the Corporation include the accounts of its one wholly-owned partnership, as well as ten special purpose entities:

		Ownership Interest (%)	
Subsidiary Name	Country of Incorporation	December 31, 2019	December 31, 2018
Horizon North Camp & Catering Partnership	Canada	100	100
Kitikmeot Camp Solutions Limited (“Kitikmeot”)	Canada	49	49
Acho Horizon North Camp Services Limited Partnership (“Acho”)	Canada	49	49
Secwepemc Camp & Catering Limited Partnership (“Secwepemc”)	Canada	49	49
Halfway River Horizon North Camp Services Limited Partnership (“HRHN”)	Canada	49	49
Two Lakes Horizon North Camp Services Limited Partnership (“TLHN”)	Canada	49	49
Tahltan Horizon North Services Inc. ("Tahltan")	Canada	49	49
Acden Horizon North Limited Partnership ("Acden")	Canada	49	49
Sekui Limited Partnership ("Sekui")	Canada	49	49
Eclipse Camp Solutions Incorporated ("Eclipse")	Canada	49	49
Deninu Kue Horizon North Camp & Catering Limited Partnership ("DKHN")	Canada	49	49
Skin Tyee Horizon North Camp Services Limited Partnership ("STHN")	Canada	49	49

The Partnership is the primary operating entity of the Corporation.

(a) Special purpose entities

The Corporation has a 49% interest in the ownership and voting rights of Kitikmeot, Acho, Secwepemc, HRHN, TLHN, Tahltan, Acden, Sekui, Eclipse, DKHN and STHN and maintains two out of four board of director seats in these special purpose entities (“SPE”). These SPE’s are consolidated when, based on an evaluation of the substance of its relationship with the Corporation and the SPE’s risks and rewards, the Corporation concludes that it controls the SPE. The SPE’s do not generate profit but rather have limited assets and the only non-flow through expenses are management fees paid to the partners. An aboriginal billing vehicle or partnership is required to achieve aboriginal participation and secure projects in specific regions of Canada. The Corporation’s control is established under terms that impose strict limitations on the decision-making powers of the SPE’s management. The control results in the Corporation receiving the majority of the benefits related to the SPE’s operations and net assets, being exposed to the majority of risks incident to the SPE’s activities and retaining the majority of the residual or ownership risks related to the SPE’s or their assets.

30. Subsequent Event

On March 9, 2020, Horizon North and 10647802 Canada Limited, operating as Dexterra Integrated Facilities Management ("Dexterra", a wholly-owned subsidiary of Fairfax Financial Holdings Limited), announced an agreement to combine the two companies (the "Proposed Transaction"). Horizon North will acquire all of the outstanding shares of Dexterra in exchange for Horizon North issuing Fairfax Financial such number of common shares of Horizon North such that Fairfax Financial will own 49% of Horizon North Shares on a fully-diluted basis after completion of the Proposed Transaction. The Proposed Transaction requires shareholder approval, receipt of certain stock exchange and regulatory approvals, including from the Canadian Competition Bureau, and satisfaction of other customary conditions.

Corporate Information

Directors

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Bradley P. D. Fedora(2)(3)
Calgary, Alberta

Dale E. Tremblay(2)(3)
Calgary, Alberta

Kevin D. Nabholz(1)(3)
Calgary, Alberta

Mary Garden(1)(3)
Victoria, British Columbia

Richard T. Ballantyne(1)(2)
Salt Spring Island, British Columbia

Rod Graham
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Russell Newmark(2)(3)
Calgary, Alberta

(1) Audit Committee Member
(2) Health, Safety and Environment Committee Member
(3) Corporate Governance and Compensation Committee Member

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Chair of the Board

Rod Graham
President and Chief Executive Officer

Scott Matson
Senior Vice President and Chief Financial Officer

Bill Anderson
Executive Vice President QHSE

Jan Campbell
Corporate Secretary

Legal Counsel

Blake Cassels & Graydon LLP
Calgary, Alberta

Auditor

KPMG LLP
Calgary, Alberta

Stock Exchange Listing

Toronto Stock Exchange
Symbol: HNL

Transfer Agent

AST Trust Company (Canada)
Calgary, Alberta

HORIZON NORTH