HORIZON NORTH

Unaudited Condensed Interim Report
to the shareholders
for the nine months ended
September 30, 2020

Contents

The following Management's Discussion and Analysis ("MD&A") prepared as at November 10, 2020 for Horizon North Logistics Inc. ("Horizon North" or the "Corporation"), provides information concerning Horizon North's financial condition and results of operations. This MD&A is based on unaudited condensed consolidated interim financial statements ("financial statements") for the three and nine months ended September 30, 2020 ("Q3 2020") and September 30, 2019 ("Q3 2019"). Readers should also refer to Dexterra's most recent audited consolidated financial statements and MD&A for the year ended December 31, 2019 available on SEDAR. Some of the information contained in this MD&A contains forward-looking statements that involve risks and uncertainties. See "Forward-Looking Information" for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results may differ materially from those indicated or underlying forward-looking information as a result of various factors including those described elsewhere in this MD&A.

The accompanying unaudited condensed consolidated interim financial statements of Horizon North as at and for the three and nine months ended September 30, 2020 and September 30, 2019 are the responsibility of Horizon North's management and have been prepared in accordance with International Financial Reporting Standards ("IFRS") and all amounts presented are in thousands of Canadian dollars unless otherwise indicated.

Financial Summary

	Three months ended September 30,			Nine months ended September 30,		
(000's except per share amounts)	2020	2019	% change	2020	2019	% Change
Total Revenue[(1)]	$ 176,918	$ 76,151	132	$ 313,397	$ 196,925	59
EBITDA[(2) (4)]	33,444	5,185	545	58,477	13,225	342
EBITDA as a % of revenue[(2) (4)]	19%	7%		19%	7%	
Adjusted EBITDA[(2)(4)]	27,085	5,185	422	53,609	13,225	305
Operating income[(4)]	23,995	4,733	407	44,308	10,794	310
Net earnings[(3)(4)]	16,061	3,425	369	64,452	7,849	721
Earnings per share						
Basic[(5)]	$ 0.25	$ 0.10	150	$ 1.37	$ 0.24	471
Diluted[(5)]	$ 0.24	$ 0.10	140	$ 1.37	$ 0.24	471
Total assets	$ 547,257	$ 177,780	208	$ 547,257	$ 177,780	208
Total loans and borrowings	$ 108,499	$ —	—	$ 108,499	$ —	—
Net capital proceeds (spending)	$ (194)	$ (609)	(68)	$ 1,307	$ (2,404)	(154)

(1) Revenue includes $6.6 million related to amounts awarded on two legal proceedings with former customers.
(2) Please refer to "Non-GAAP measures" for the definition of EBITDA and Adjusted EBITDA.
(3) Net earnings for the nine months ended September 30, 2020 includes $34.1 million Bargain purchase gain resulting from the Transaction.
(4) Includes $9.5 million and $27.9 million of pre-tax CEWS for the three and nine months ended September 30, 2020.
(5) All share and per share data presented has been retroactively adjusted to reflect the share Consolidation discussed in the "Outstanding Shares" section.

Non-GAAP measures

In this MD&A, Horizon North uses non-GAAP measures including "EBITDA", calculated as earnings before interest, taxes, depreciation, amortization, share based compensation, bargain purchase gain and gain/loss on disposal of property, plant and equipment, "Adjusted EBITDA", calculated as EBITDA before transaction costs and other revenue, "EBITDA as a % of revenue", calculated as EBITDA divided by revenue, and "Free Cash Flow", calculated as net cash flows from (used in) operating activities, less changes in non-cash working capital for investing activities, capital expenditures, payments for lease liabilities and finance costs, to provide investors with supplemental measures of Horizon North's operating performance and thus highlight trends in its core businesses that may not otherwise be apparent when relying solely on GAAP financial measures. Horizon North also believes that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. Horizon North's management also uses non-GAAP measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets, and to determine components of management compensation.

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 net earnings 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. For a reconciliation of these non-GAAP measures to their nearest measure under GAAP please refer to "Reconciliation of non-GAAP measures".

About Horizon North

Horizon North is a publicly listed corporation (TSX: HNL.TO) providing a full range of services across Canada under its three operating business units: Facilities Management, Workforce Accommodations, Forestry and Energy Services ("WAFES"), and Modular Solutions. Our Facilities Management business delivers operations and maintenance solutions for built assets and infrastructure in the public and private sectors, including aviation, defence, retail, healthcare, education and government. Our WAFES business provides a full range of workforce accommodations solutions, forestry services and access solutions to clients in the mining, forestry, construction and energy sectors. Our Modular Solutions business integrates modern design concepts with off-site manufacturing processes to produce high-quality building solutions for social and affordable housing, commercial, residential and industrial clients. 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 across Canada.

On May 29, 2020, Horizon North entered into a transaction (the "Transaction") with 10647802 Canada Limited, operating as Dexterra Integrated Facilities Management ("Dexterra"), a subsidiary of Fairfax Financial Holdings Limited (TSX: FFH and FFH.U) ("Fairfax Financial"). Pursuant to the Transaction, Horizon North acquired all of the outstanding common shares of Dexterra and in exchange issued 31,785,993 common shares of Horizon North ("Common Shares") to Dexterra's sole shareholder, 9477179 Canada Inc. ("Dexterra Parent"). Fairfax Financial controls a 49% interest in the newly combined Corporation.

For accounting purposes, the Transaction constituted a reverse acquisition ("the Acquisition") that involved a change of control of Horizon North and a business combination of Horizon North and Dexterra, to form a new corporation that now carries on operations as Horizon North Logistics Inc. ("The Corporation"). Based on the guidance in IFRS 3, Business Combinations, it was determined that Horizon North was the accounting acquiree and Dexterra was the accounting acquirer, as Fairfax Financial, the sole shareholder of Dexterra, now controls Horizon North. As a result, 2019 comparative information included herein is solely Dexterra. Horizon North financial results are included subsequent to the Transaction closing date. Refer to Note 4 of the Q3 2020 financial statements for further information.

The Corporation has announced a Special Meeting ("Meeting") of holders ("Shareholders") of common shares of Horizon North to be held on Friday, November 13, 2020 at 10:00 a.m. EST. At the Meeting, the Shareholders will be asked to pass a special resolution authorizing and approving the amendment of the Articles of the Corporation to change the name of the Corporation from "Horizon North Logistics Inc." to "Dexterra Group Inc." ("Name Change"). Refer to the Outlook section for further details;

Management's Discussion and Analysis

Highlights

- Horizon North had Q3 2020 revenue of $176.9 million and EBITDA of $33.4 million, an increase of $100.8 million and $28.3 million respectively, when compared to Q3 2019. The increase is attributable to $104.8 million of revenue from the acquisition of Horizon North, partially offset by the COVID-19 related revenue loss impacts. Revenue includes $6.6 million related to amounts awarded to the Corporation through legal proceedings with two former customers. Net earnings increased by $12.6 million when compared with Q3 2019;
- Horizon North generated Net cash flows from operating activities in Q3 2020 of $21.4 million, compared to the $0.5 million used in Q3 2019, an increase of $21.9 million, primarily reflecting the $12.6 million increase in Net earnings of the combined company;
- Horizon North EBITDA for Q3 2020 was $33.4 million compared to $5.2 million in 2019. EBITDA was positively impacted by $6.6 million related to amounts awarded to the Corporation in legal proceedings with two former customers and $9.5 million from the CEWS program, which was partially offset by $0.2 million in transaction costs.
- The Facilities Management business had Q3 2020 revenue of $35.7 million, a decrease of 19%, from Q3 2019. EBITDA for the same period was $5.6 million, an increase of $2.5 million when compared to Q3 2019. CEWS impact was $3.5 million;
- The Modular Solutions business had Q3 2020 revenue of $39.5 million and EBITDA of $3.9 million, including a CEWS impact of $1.4 million. Backlog[1] exiting the quarter was $71.6 million at September 30, 2020. The sales funnel of high-quality, high probability opportunities, including significant opportunities in Ontario, over the next 12 to 18 months was $161.8 million at September 30, 2020. Continued growth in revenues in Q4 2020 and beyond is expected;
- The WAFES business had Q3 2020 revenue of $103.2 million, an increase of 223%, from Q3 2019. EBITDA for the same period was $28.5 million, an increase of $25.7 million when compared to Q3 2019. The CEWS impact was $4.2 million;
- Horizon North has achieved cost synergies that will save the Corporation $22 million annually for 2021 and onward, primarily through pre and post acquisition lay offs and restructuring. These savings are comprised of $7 million in

[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.

Corporate costs and $15 million in business unit operations. Further cost synergies may be realized as future integration and cross-line-of-business sales opportunities are realized; and

- Horizon North paid a dividend of $0.075 per share on October 15, 2020 and declared a dividend for the fourth quarter of 2020 at $0.075 per share. The dividend is payable to shareholders of record at the close of business on December 31, 2020, to be paid on January 15, 2021.

Quarterly Operational Analysis

Facilities Management

Facilities Management revenues in Q3 2020 were $35.7 million, which represents a decrease of $8.5 million or 19% from the $44.2 million in Q3 2019. Facilities Management revenue decreased primarily due to the temporary closure or reduction in operations at certain facilities as a result of COVID-19, mainly in the aviation and retail sectors. This was partially offset by new business and the impact of the Powerful Group of Companies ("PGC") acquisition completed in November 2019.

EBITDA as a percentage of revenue increased to 16% in Q3 2020 from 7% in Q3 2019 mainly due to the inclusion of $3.5 million CEWS in Q3 2020. When adjusting for CEWS, EBITDA margin was 6% for Q3 2020 or 1% lower than Q3 2019, due to the increased costs in the healthcare sector and costs associated with operating in a COVID-19 environment.

Year to date, Facilities Management revenues were $108.7 million and decreased by $13.4 million or 11% from the $122.1 million in 2019. Facilities Management revenue decreased primarily due to the temporary closure or reduction in operations at certain facilities as a result of COVID-19, mainly in the aviation and retail sectors. This was partially offset by new business and the impact from the PGC acquisition completed in November 2019.

EBITDA as a percentage of revenue increased to 17% in the first nine months of 2020 from 5% in 2019 due to the inclusion of $12.7 million CEWS in 2020. When adjusting for CEWS, EBITDA margin increased to 6% for the nine months ended September 30, 2020 in comparison to 5% of the same period in the prior year, mainly due to repositioning service offerings and focusing on higher margin projects in more complex operations. The margin impact from this business shift is expected to be fully realized in the post pandemic environment.

Direct Costs

Direct Costs for Q3 2020 were $29.0 million compared to $40.3 million in Q3 2019, a decrease of $11.3 million or 28%, mainly due to the inclusion of $3.5 million CEWS in Q3 2020 and the decrease in costs associated with the lower revenue. When adjusting for CEWS, direct costs as a percentage of revenue were at 91% in Q3 2020 compared to 91% in Q3 2019.

For the first nine months of 2020, Direct Costs were $86.9 million compared to $113.0 million in 2019, a decrease of $26.1 million or 23% mainly due to the inclusion of $12.7 million CEWS in 2020 and decreased activity. When adjusting for CEWS, direct costs as a percentage of revenue were at 92% in the first nine months of 2020 compared to 93% in the comparable period in the prior year.

Modular Solutions

The Modular Solutions business was part of the Acquisition of Horizon North which closed on May 29, 2020. Modular Solutions segment revenues for Q3 2020 and the nine months ended September 30, 2020 were $39.5 million and $50.6 million, respectively. These revenues are primarily focused on social and affordable housing, industrial projects and portable classrooms.

EBITDA for Q3 2020 and for the year to date post-Acquisition, was $3.9 million and $6.3 million, which included $1.4 million and $2.5 million of CEWS impact, respectively. The results reflect the focus on social and affordable housing projects where performance and execution have been strong as well as the positive impact of cost reductions and improved efficiencies in our western Canada operations combined with continued strong performance from eastern Canada as we improve the utilization of plant capacity.

A key metric for the Modular Solutions segment is the backlog of projects and timing of backlog execution. The focus for this business unit will be to secure and increase backlog, which was $71.6 million at the end of Q3 2020.

On August 18, 2020, the Company announced the resignation of co-CEO Rod Graham such that John MacCuish assumed the role of sole CEO and Mark Becker was appointed to the role of COO and became responsible for the Modular operations on an interim basis. The Company expects to announce a new President of the Modular business in the very near future.

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 87% and 84% of revenue for the three and nine months ended September 30, 2020. Direct costs are driven by labour and were positively impacted by $1.4 million and $2.5 million of CEWS during the three and nine months ended September 30, 2020, respectively.

Workforce Accommodations, Forestry and Energy Services ("WAFES")

WAFES is comprised of three revenue streams: Workforce accommodations, Forestry and Energy Services.

WAFES has been deemed an essential service and its revenue performance has been strong in a COVID-19 environment. Revenues from the WAFES segment for Q3 2020 were $103.2 million, an increase of $71.2 million compared to Q3 2019. The increase in Q3 2020 segment revenues was driven by the Acquisition of Horizon North which added $66.7 million of revenue growth, primarily in catering and infrastructure install and rental activities. Q3 2020 revenue also includes $11.5 million of seasonal forestry revenues.

EBITDA as a percentage of revenue increased to 28% in Q3 2020 from 9% in Q3 2019 mainly due to the inclusion of $4.2 million CEWS and $6.6 million in legal settlements. When adjusting for CEWS and the legal settlements, EBITDA as a percentage of revenue is 17% which is an increase of 8% compared to Q3 2019. This increase in margin is related to strong occupancy at higher margin camps.

Revenues from the WAFES segment for the nine months ended September 30, 2020 were $156.5 million, an increase of $81.6 million compared to same period in 2019. The increase in segment revenues was driven by the Acquisition of Horizon North which added $82.9 million of revenue, partially offset by lower revenues from firefighting projects and a decrease in projects related to the COVID-19 operating environment.

Year to date, EBITDA as a percentage of revenue increased to 27% from 13% in the same period in 2019 mainly due to the inclusion of $11.4 million CEWS and $6.6 million in legal settlements. When adjusting for CEWS and the legal settlements, EBITDA as a percentage of revenue is at 16% which is an increase of 3% compared to 2019. This increase in margin is related to strong occupancy at higher margin camps.

Workforce accommodations and forestry revenue

Revenues from workforce accommodations and forestry for Q3 2020 were $93.9 million and increased by $62.0 million compared to Q3 2019. The increase in Q3 2020 was mainly driven by the acquisition of Horizon North. When adjusting Q3 2020 revenue to remove Acquisition related revenue of $57.5 million, revenue for the workforce accommodation and forestry increased by $4.5 million to $36.4 million. This was due to increased occupancy at higher margin camps.

Revenues from workforce accommodations and forestry for the first nine months of 2020 were $144.5 million and increased by $69.7 million compared to 2019. The increase in revenues was driven by the acquisition of Horizon North. When adjusting 2020 revenue to remove acquisition related revenue of $71.0 million, revenue for the workforce accommodation and forestry decreased by $1.3 million. The decrease in revenue was primarily due to a decrease in seasonal work under forestry services, mainly for fire camps and firefighting services, and a reduction in revenue associated with temporary closure and reduction in operations at certain client facilities as a result of COVID-19. This was partially offset by increased activity under infrastructure install and rental activities as a result of new contracts in Q1 2020.

Energy Services

Revenues from energy services were $9.2 million and $11.9 million for the three and nine months ended September 30, 2020. The energy services business was acquired as part of the Acquisition. Revenue for energy services is primarily from mat and relocatable structures rentals combined with equipment sales and installation. The Corporation has temporarily closed the mat manufacturing plant due to lower business activity.

Direct Costs

Direct costs in the WAFES business unit for Q3 2020 were $73.8 million or 72% of revenue compared to $28.7 million or 90% of revenue for Q3 2019. Direct costs in Q3 2020 includes $45.5 million of costs from the acquired operations, partially offset by $4.2 million of CEWS. When adjusting for CEWS, direct costs were 76% of revenue, which is a decrease compared to the prior period and reflects synergies achieved in the business unit from the Transaction.

Direct costs in the WAFES business unit for the nine months ended September 30, 2020 were $111.8 million or 71% of revenue compared to $64.0 million or 85% of revenue for 2019. Direct costs in 2020 includes $55.9 million of costs associated with the acquired operations, partially offset by $11.4 million of CEWS. When adjusting for CEWS, direct costs were 79% of revenue, which is a decrease compared to the prior year. This decrease as a percentage of revenue is the result of increased revenue from higher margin services and synergies approved by combining operations from the Transaction.

Other Items

Selling, General & Administrative Expense

Selling, general & administrative expenses are comprised of sales and marketing costs associated with each segment, along with corporate costs reflecting head and corporate 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, general & administrative expenses for Q3 2020 were $7.8 million, an increase of $5.8 million compared to Q3 2019, mainly due to the Acquisition and transaction costs of $0.2 million incurred for the Acquisition. As a percentage of revenue, selling and administrative expenses were 4% in Q3 2020 and 3% in Q3 2019 after adjusting for transaction costs, partially reduced by CEWS funding of $0.4 million. These costs reflect a run-rate of approximately $32 million annually, which is a $7 million cost reduction from the combined operations of the entities before the Transaction, which represents a 18% decrease.

Selling, general & administrative expenses for the nine months ended September 30, 2020 were $15.9 million, an increase of $9.2 million compared to 2019, mainly due to the Acquisition of Horizon North, transaction costs of $1.7 million incurred for the Acquisition and business development to support growth, partially offset by CEWS of $1.2 million. As a percentage of revenue, selling and administrative expenses were 4% and 3% in 2020 and 2019, respectively, after adjusting for transaction costs and CEWS.

Bargain Purchase Gain

A bargain purchase gain of $34.1 million was recorded for the nine months ended September 30, 2020. The bargain purchase gain equates to the difference between the estimated fair value of the net assets acquired of Horizon North of $135.0 million and the consideration received by Fairfax, as disclosed in Note 4 "Business Combination" of the Q3 2020 financial statements.

Finance costs

Finance costs include interest on loans and borrowings and interest on lease liabilities. For Q3 2020, finance costs were $2.1 million, an increase of $2.0 million compared to Q3 2019, due to the increase in loans and borrowings as well as the lease liabilities from the Acquisition. For the first nine months of 2020, finance costs were $3.1 million, an increase of $2.9 million compared to 2019, for the same reasons as the increase in Q3 2020.

The effective interest rate on loans and borrowings for the nine months ended September 30, 2020 was 4.4%. The rate was driven by the higher debt levels through the acquisition of Horizon North and the tiered interest rate structure of the credit facility. Management focus on debt reduction has reduced interest costs by approximately $0.3 million in the post-Transaction period.

Goodwill and intangible assets

Goodwill of $98.6 million is made up of $96.0 million recognized on the acquisition of the Carillion Services Assets in 2018 and $2.6 million recognized on the acquisition of PGC in 2019. Goodwill is not amortized. The goodwill relating to the Carillion Services Assets is deductible for tax purposes. The Corporation concluded there was no impairment of its goodwill or intangibles at September 30, 2020.

Income taxes

For the three and nine months ended September 30, 2020, the Corporation's effective income tax rate was 26.8% and 14.5%, respectively. The year to date tax rate was lower than statutory rates primarily due the non-taxable bargain purchase gain as further discussed in Note 16 of the Q3 2020 financial statements.

For the three and nine months ended September 30, 2019, the Corporation's effective income tax rate of 26.2% was relatively consistent with the statutory rate.

The Corporation has non-capital losses for Canadian tax purposes of $74.5 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. The Corporation expects to fully utilize these losses before their expiry except as noted below.

Deferred tax assets of $2.0 million have not been recognized in respect of $7.2 million of tax losses. 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.

Gain/Loss on disposal

For Q3 2020, the loss on disposal was $0.4 million compared to a gain on disposal of $0.4 million in Q3 2019. For the nine months of 2020, the gain on disposal was $0.1 million compared to a gain on disposal of $0.5 million in 2019. The gains and losses on disposals are typically generated from ongoing fleet management of operational assets and rationalization of idle assets.

Non-controlling interest

Horizon North owns 49% of Tangmaarvik Inland Camp Services Inc. ("Tangmaarvik") and controls its operations. As a result, the results of Tangmaarvik are consolidated with the results of Horizon North and a non-controling interest is recorded. For the three and nine months ended September 30, 2020 non-controlling interest of $0.1 million and $0.3 million was recorded, respectively, compared to $0.1 million and $0.2 million in the same periods of the prior year.

Related party transactions

As at September 30, 2020, Horizon North has performance and labour bonds outstanding with Northbridge General Insurance Corporation, a company with the same controlling shareholder as Horizon North, totaling $60.4 million. All related party transactions were measured at arms length and there are no ongoing contractual or other commitments resulting from the transactions.

COVID-19 Pandemic

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. Some of Horizon North's businesses are being classified as "essential services" in various cities and regions and are playing an important role in fighting the COVID-19 virus. Horizon North and its employees are playing a vital role in keeping client operations and infrastructure safe and virus free. The safety of employees and customers continues to be a top priority.

Horizon North's Q3 2020 financial results continue to be impacted significantly as a result of the COVID-19 pandemic, similar to the second quarter of 2020. The Facilities management segment continued to experience reductions in revenue as a result of reduced services, mainly in the Aviation and Retail markets. The WAFES and Modular Solutions segments have seen less significant declines in revenue but have still been impacted due to lower activity in camp/catering services and the deferral of social and affordable housing projects and timing of portable classroom builds. To mitigate the impact of COVID-19 and to align the expenditures with the reduction in revenues and demand, the Corporation reduced its workforce in Q2 2020 by approximately 40% when compared to the prior year for similar operations and reduced certain other costs. New business opportunities in the pipeline have also been affected and are expected to shift to future periods. It is impossible to forecast the duration and full scope of the economic downturn caused by the COVID-19 pandemic and the related consequences it will have on the Corporation and its business, including the potential impact on its services once these social distancing policies are lifted. However, at this time, it is unknown to the Corporation how the COVID-19 pandemic will evolve and impact demand for the Corporation's services which may lead to lower revenue; the federal and provincial governments' support programs for businesses to help offset the impact of COVID-19; and the impact on the Corporation's customers and their solvency.

Horizon North entered this crisis with a healthy balance sheet and leverage ratios, and increased its capacity available under its credit facility with the amendment and extension on June 30, 2020. The Corporation is expecting further revenue decreases in the fourth quarter of 2020, due to the impacts of the pandemic and the regular seasonality of the business. The management team has implemented plans to modify the cost structure, such as reducing the workforce and other costs to mitigate the impact of COVID-19, while continuing to provide essential services to its clients. Additionally, the Corporation has applied for government support programs and qualified for $9.5 million and $27.9 million of Canada Emergency Wage Subsidy ("CEWS") funding for the three and nine months ended September 30, 2020, which has helped to offset the negative earnings impact of COVID-19. Based on the current changes to the CEWS program, the benefit to the Corporation of any subsidies after September 30, 2020 is declining and expected to be less material.

The Corporation expects that its clients will have heightened requirements for cleaning, disinfecting and building maintenance services and Horizon North should be well positioned to support these expanded requirements.

Outlook

Company Name and Ticker Symbol

The Acquisition, which was completed on May 29, 2020, has created a leading support services company in Canada that offers a range of infrastructure solutions including facilities management, workforce accommodations, forestry & energy services, and modular construction to a broad base of customers across diversified industries and geographies throughout Canada.

Subject to the approval by the Shareholders of the Corporation of the Name Change to Dexterra Group Inc., on November 13, 2020, the common shares are expected to commence trading on the Toronto Stock Exchange ("TSX") within two to four business days under the ticker symbol "DXT". Adopting a new corporate name reflects the transformation into a pan-Canadian, diversified support services organization and marks a new phase in the Corporation's history as it focuses on delivering quality solutions for the creation, management, and operation of infrastructure.

As a support services business we enable the higher performance and productivity of our clients. "Dexterra" is derived from the Latin phrase "manus dextra," or "right hand," reflecting both our commitment to our clients and the trust our clients place in us.

Operations Outlook

The Corporation significantly improved its leverage and liquidity position through the Acquisition as well as by negotiating the amended and extended credit facility with an increased limit to $175 million. At September 30, 2020 the Corporation had $58.6 million of available liquidity which provides it with improved financial flexibility to manage through the remainder of 2020 and beyond. The Corporation continues to realize cost synergies and is working toward revenue synergies via cross-selling between business units.

With the recent announcement by Canada's federal government and CMHC to provide $1 billion of funding to various cities across the country for rapid housing, the Corporation is in a strong position to win a significant portion of that business. As such, the Corporation has commenced the process of locating and building an NRB Modular Solutions plant in Ontario with an estimated capital cost of $7 to $8 million and estimated incremental annual sales capacity exceeding $100 million, though the investment plan assumes less than capacity in the initial start-up periods. The first two projects in progress with the City of Toronto to design, deliver and install 100 modular units of permanent supportive housing are progressing well in the existing NRB Modular Solutions plant and the Company has recognized $6.7 million of revenue related to this project during Q3 2020 and expects to complete these projects in Q4 2020. Continued growth in Modular solutions revenues in Q4 2020 and beyond is expected.

Camp occupancy for Q4 2020 is expected to be lower than Q3 2020 given the continuing overhang and uncertainty surrounding COVID-19, which has resulted in the slower start-up of the LNG Canada facility build in Kitimat and other projects in the pipeline that have been deferred or delayed in the short term. This is expected to result in a shift in revenue to future periods.

In the Facilities Management business, the pandemic has delayed its excellent growth prospects which should have buffered the volatility in the WAFES segment.

Seasonality

Horizon North's earnings are affected by seasonality in certain operating segments. Historically, earnings in the second and third quarters are positively impacted by the seasonal Forestry operations, which is part of the WAFES segment. For the Workforce Accommodations portion of the WAFES segment, camp occupancy is historically at its lowest level during the holiday season. This, in conjunction with the Forestry Services low revenue winter season, causes revenues to be at their lowest levels in the first and fourth quarters. The Modular Solutions and Facilities Management segments include project work that may not be evenly distributed throughout the fiscal year.

Liquidity and Capital Resources

For the nine months ended September 30, 2020, cash generated by operating activities was $34.3 million, compared to $1.0 million of cash used in the same period of 2019. The variance was driven primarily by the $56.6 million increase in net earnings for the period, partially offset by the $34.1 million non-cash impact of the bargain purchase gain and fluctuations in non-cash working capital.

The significant increase in cash flow from investing activities for the nine months ended September 30, 2020, compared to the same period in 2019, is mainly related to proceeds on asset sales combined with fluctuations in non-cash investing working capital, compared with 2019 payments of $17.6 million and $7.4 million to former shareholders of Carillion Canada in connection with the acquisition of the Carillion Services assets.

Cash flows from financing activities decreased due to the significant repayments on the credit facility of $15.4 million and increased lease payments and finance costs, compared to the $17.6 million in proceeds received in exchange for common shares in 2019. Finance activities include payments on loans and borrowings, finance costs paid and the cash impact of finance leases.

Working capital at September 30, 2020 was $89.0 million, compared to $19.6 million at December 31, 2019, an increase of $69.4 million. This was mainly due to $63.7 million of working capital acquired in the Acquisition. Working capital for the business is impacted by seasonality, particularly in the first and third quarters.

Borrowing capacity *(000's)*	September 30, 2020	December 31, 2019
Bank borrowing:		
Available credit facility	$ 175,000	$ 32,000
Drawings on credit facility	109,646	5,453
Letters of credit	6,788	2,915
Borrowing capacity[(1)]	$ 58,566	$ 23,632

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

Effective June 30, 2020, Horizon North reached an agreement with its lenders to amend its Credit Facility and extend the maturity date to December 30, 2022. The Credit Facility has an available limit of $175.0 million and is secured by a $400.0 million first fixed and floating charge debenture over all assets of the Corporation and its wholly-owned subsidiaries. The interest rate for the credit facility is calculated on a grid pricing structure based on the Corporation's debt to EBITDA ratio. Amounts drawn on the credit facility incur interest at bank prime rate plus 1.00% to 2.25% or the Bankers' Acceptance rate plus 2.00% to 3.25%. The credit facility has a standby fee ranging from 0.50% to 0.81%. The operating facility in place at December 31, 2019 was Dexterra's stand-alone facility prior to the Transaction. The facility was repaid on May 29, 2020 upon closing the Transaction.

The Corporation's financial position and liquidity are strong. The Corporation has generated Free Cash Flow of $34.6 million in the first nine months of 2020. In future quarters, principal sources of liquidity include generated Free Cash Flow and proceeds from the disposal of idle or underutilized assets across its operating segments. As at September 30, 2020, the Corporation was in compliance with all financial and non-financial covenants related to the credit facility.

Capital Spending

For the nine months ended September 30, 2020, gross capital spending was $3.1 million compared to $3.1 million in the same period of 2019. Capital spending in Q3 2020 was mainly focused on small equipment.

Management evaluates and manages its capital spending plans taking into account proceeds from the sale of property, plant and equipment, resulting in net capital proceeds of $1.3 million for the nine months ended September 30, 2020 compared to net capital spending of $2.4 million in the same period of 2019. Capital spending was offset by the proceeds received on selling underutilized energy services assets.

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 the contract for the provision of rental modular units and large complexes for a client supporting LNG development in the WAFES segment.

As noted in the Outlook section, the Corporation will build a NRB Modular Solutions plant in Ontario with an estimated capital cost of $7 to $8 million and estimated annual sales capacity exceeding $100 million to address the recent surge in social affordable housing demand. Management expects that normalized recurring capital spending should approximate $5 million per annum, excluding the new NRB plant.

Quarterly Summary of Results

	Three months ended			
(000's except per share amounts)	2020 September	2020 June	2020 March	2019 December
Revenue	$ 176,918	$ 76,106	$ 60,373	$ 64,134
EBITDA	33,444	22,885	2,487	3,240
Net earnings attributable to shareholders	16,131	47,139	864	1,370
Net earnings per share, basic	0.25	1.08	0.03	0.04
Net earnings per share, diluted	0.24	1.08	0.03	0.04

	Three months ended			
(000's except per share amounts)	2019 September	2019 June	2019 March	2018 December
Revenue	$ 76,151	$ 66,493	$ 54,281	$ 53,810
EBITDA	5,185	6,164	1,876	2,464
Net earnings attributable to shareholders	3,330	3,566	752	1,109
Net earnings per share, basic and diluted	0.10	0.11	0.02	0.05

Net earnings and EBITDA both increased significantly in the third quarter of 2020 due primarily to the Acquisition of Horizon North combined with the $9.5 million CEWS funding impact. Revenue has also increased in the third quarter of 2020 primarily due to the Acquisition of Horizon North and associated revenue of $104.8 million and new business growth, partially offset by the impacts of COVID-19 on operations.

In the three months ended June 30, 2020, Net earnings and Adjusted EBITDA both increased significantly due primarily to the Acquisition of Horizon North and the resulting $34.1 million bargain purchase gain with the inclusion of one month of Horizon North's results and the $18.4 million CEWS impact.

Reconciliation of non-GAAP measures

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

(000's)	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net earnings	$ 16,061	$ 3,425	$ 64,452	$ 7,849
Add:				
Share based compensation	157	—	206	—
Depreciation & amortization	8,785	893	13,927	2,918
Equity investment depreciation	122	—	155	—
Finance costs	2,051	93	3,094	162
Bargain purchase gain	—	—	(34,128)	—
Loss (Gain) on disposal of property, plant and equipment	385	(441)	(119)	(487)
Income tax expense	5,883	1,215	10,890	2,783
EBITDA	$ 33,444	$ 5,185	$ 58,477	$ 13,225
Add: Transaction costs	$ 211	—	$ 1,702	—
Less: Other revenue(1)	6,569	—	6,569	—
Adjusted EBITDA	$ 27,085	$ 5,185	$ 53,609	$ 13,225

(1) Other revenue includes amounts awarded to the Corporation through legal proceedings with two former customers.

(000's)	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net cash flows from (used in) operating activities	$ 21,425	$ (477)	$ 34,262	$ (982)
Changes in non-cash working capital, investing activities	(212)	—	5,531	—
Net capital proceeds (spending)	(194)	(609)	1,307	(2,404)
Finance costs paid	(2,102)	(93)	(3,610)	(162)
Lease payments	(2,035)	(198)	(2,904)	(416)
Free Cash Flow	$ 16,882	$ (1,377)	$ 34,586	$ (3,964)

Changes in Accounting Policies

Horizon North's changes to accounting policies are provided in Note 3 of the Q3 2020 financial statements and in the audited Consolidated Financial Statements of Horizon North and Dexterra for the years ended December 31, 2019 and 2018, available on SEDAR.

Outstanding Shares

On July 16, 2020, the Corporation completed a five-for-one share consolidation of all of its issued and outstanding common shares ("the Consolidation"). Prior to the Consolidation, a total of 324,346,871 common shares were issued and outstanding and after the Consolidation the Corporation has 64,869,417 issued and outstanding common shares. All share and per share data presented in the Q3 2020 financial statements and MD&A has been retroactively adjusted to reflect the Share Consolidation. The post-Consolidation Common Shares continue to be listed on the Toronto Stock Exchange (TSX) under the trading symbol "HNL.TO". Horizon North had 64,869,417 voting common shares issued and outstanding as at November 10, 2020.

Off-Balance Sheet Financing

Horizon North has no off-balance sheet financing.

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

Throughout 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 September 30, 2020 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 of the Canadian Securities Administrators, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes to the Corporation's ICFR during the period ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

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

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

Risks and Uncertainties

The financial risks, critical accounting estimates and judgements, and risk factors related to Horizon North and its business, which should be carefully considered, are disclosed in the "Risk Factors of Dexterra" section included in "Appendix F – Information Concerning 10647802 Canada Limited" in the management information circular of Horizon North dated April 23, 2020 and Horizon North's Q3 2020 financial statements and this MD&A should be read in conjunction with them. Such risks may not be the only risks facing Horizon North. Additional risks not currently known may also impair Horizon North's business operations and results of operation.

Critical Accounting Estimates and Judgements

This MD&A of Horizon North's financial condition and results of operations is based on its consolidated financial statements, which are prepared in accordance with IFRS. The preparation of the consolidated financial statements requires management to make estimates and judgements about the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The MD&A should be read in conjunction with the Q3 2020 financial statements and the changes to the areas of estimation and judgement are disclosed in Note 22 "Critical Accounting Estimates and Judgements".

Financial Instruments and Risk Management

In the normal course of business, the Corporation is exposed to a number of financial risks that can affect its operating performance. These risks are: credit risk, liquidity risk and interest rate risk. The Corporation's overall risk management program and prudent business practices seek to minimize any potential adverse effects on the Corporation's financial performance. The MD&A should be read in conjunction with the Q3 2020 financial statements and the changes in the risk management or in any risk management policies as disclosed in Note 23 "Financial risk management".

Forward-Looking Information

Certain statements contained in this MD&A may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Horizon North's future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "continue"; "forecast"; "may"; "will"; "project"; "could"; "should"; "expect"; "plan"; "anticipate"; "believe"; "outlook"; "target"; "intend"; "estimate"; "predict"; "might"; "potential"; "continue"; "foresee"; "ensure" or other similar expressions concerning matters that are not historical facts. In particular, statements regarding Horizon North's future operating results and economic performance and its objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions, including expected growth, results of operations, performance and business prospects and opportunities regarding Horizon North, which Horizon North believes are reasonable as of the current date. While management considers these assumptions to be reasonable based on information currently available to Horizon North, they may prove to be incorrect. Forward-looking information is also subject to certain factors that could cause actual results to differ materially from what Horizon North currently expects.

The reader should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While management may elect to, Horizon North is under no obligation and does not undertake to update or alter this information at any time, except as may be required by law.

Condensed consolidated statement of financial position (Unaudited)

(000's)	Note	September 30, 2020	December 31, 2019
Assets			
Current assets			
Cash		$ —	$ 2,577
Trade and other receivables		167,850	35,432
Inventories	5	21,819	4,451
Prepaid expenses and other		6,894	1,781
Income tax receivable		—	965
Total current assets		196,563	45,206
Non-current assets			
Property, plant and equipment	6	189,189	8,254
Right-of-use assets	7	19,849	1,672
Intangible assets	8	23,508	21,058
Goodwill		98,640	98,640
Deferred tax asset	16	6,025	—
Other assets	9	13,483	—
Total non-current assets		350,694	129,624
Total assets		$ 547,257	$ 174,830
Liabilities			
Current liabilities			
Loans and borrowings	10	$ —	5,453
Trade and other payables		86,146	16,229
Deferred revenue		4,023	2,867
Income taxes payable		4,950	—
Asset retirement obligations	11	5,096	—
Lease liabilities	7	6,940	614
Contingent consideration		400	400
Total current liabilities		107,555	25,563
Long-term liabilities			
Lease liabilities	7	16,694	1,061
Contingent consideration		1,439	1,439
Asset retirement obligations	11	5,229	—
Loans and borrowings	10	108,499	—
Deferred income taxes	16	2,161	1,644
Total long-term liabilities		134,022	4,144
Total liabilities		$ 241,577	$ 29,707
Shareholders' Equity			
Share capital	12	232,348	131,543
Contributed surplus		206	—
Accumulated other comprehensive income		2	—
Retained earnings		71,420	12,150
Non-controlling interest		1,704	1,430
Total shareholders' equity		305,680	145,123
Total liabilities and shareholders' equity		$ 547,257	$ 174,830

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

Condensed consolidated statement of comprehensive income (Unaudited)
Three and nine months ended September 30, 2020 and 2019

(000's except per share amounts)	Note	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Revenue					
Revenue from operations		$ 170,349	76,151	$ 306,828	$ 196,925
Other revenue	13	6,569	—	6,569	—
Total revenue		176,918	76,151	313,397	196,925
Operating expenses					
Direct costs	14	135,780	68,924	239,210	177,023
Selling, general and administrative expenses	15	7,816	2,042	15,865	6,677
Depreciation	6,7	8,014	481	11,907	1,811
Amortization of intangible assets	8	771	412	2,020	1,107
Share based compensation	12	157	—	206	—
Loss (gain) on disposal of property, plant and equipment		385	(441)	(119)	(487)
Operating income		23,995	4,733	44,308	10,794
Finance costs		2,051	93	3,094	162
Bargain purchase gain	4	—	—	(34,128)	—
Earnings before income taxes		21,944	4,640	75,342	10,632
Income tax					
Income tax expense	16	5,883	1,215	10,890	2,783
Net earnings		16,061	3,425	64,452	7,849
Other comprehensive income					
Translation of foreign operations		(1)	—	(1)	—
Total comprehensive income for the period		$ 16,060	$ 3,425	$ 64,451	$ 7,849
Net Earnings Attributable to:					
Non-controlling interest		(70)	95	317	200
Shareholders		16,131	3,330	64,135	7,649
Earnings per common share:					
Net earnings per share, basic	18	$ 0.25	$ 0.10	$ 1.37	$ 0.24
Net earnings per share, diluted	18	$ 0.24	$ 0.10	$ 1.37	$ 0.24
Weighted average common shares outstanding:					
Basic	18	64,869	31,786	46,758	31,755
Diluted	18	65,859	31,786	46,758	31,755

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

HORIZON NORTH

Condensed consolidated statement of changes in equity (Unaudited)

(000's)	Note	Share Capital - Number of Shares	Share Capital	Contributed Surplus	Non-Controlling Interest	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance as at December 31, 2018		27,525	$ 113,908	$ —	$ 1,258	$ —	$ 6,132	$ 121,298
Issuance of common shares		4,261	17,635	—	—	—	—	17,635
Net income		—	—	—	200	—	7,649	7,849
Dividends paid		—	—	—	—	—	—	—
Balance as at September 30, 2019		31,786	$ 131,543	$ —	$ 1,458	$ —	$ 13,781	$ 146,782
Balance as at December 31, 2019		31,786	$ 131,543	$ —	$ 1,430	$ —	$12,150	$145,123
Effect of reverse acquisition of Horizon North	4	33,083	100,904	—	—	—	—	100,904
Dividends	19	—	—	—	(43)	—	(4,865)	(4,908)
Share issue costs	4	—	(99)	—	—	—	—	(99)
Share based compensation	12	—	—	206	—	—	—	206
Translation of foreign operations		—	—	—	—	2	—	2
Net income		—	—	—	317	—	64,135	64,452
Balance as at September 30, 2020		64,869	$ 232,348	$ 206	$ 1,704	$ 2	$ 71,420	$ 305,680

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

HORIZON NORTH

Condensed consolidated statement of cash flows (Unaudited)
Three and nine months ended September 30, 2020 and 2019

(000's)	Note	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Cash provided by (used in):					
Operating activities:					
Net earnings		$ 16,061	$ 3,425	$ 64,452	$ 7,849
Adjustments for:					
Depreciation	6,7	8,014	481	11,907	1,811
Amortization of intangible assets	8	771	412	2,020	1,107
Share based compensation	12	157	—	206	—
Loss (gain) on disposal of property, plant and equipment		385	(441)	(119)	(487)
Bargain purchase gain	4	—	—	(34,128)	—
Book value of used fleet sales transferred to inventory		277	—	375	—
Purchase of rental fleet		(1,357)	—	(1,357)	—
Earnings on equity investments	14	(353)	—	(288)	—
Asset retirement obligation settled		(951)	—	(1,216)	—
Finance costs		2,051	93	3,094	162
Income tax expense	16	5,883	1,215	10,890	2,783
Changes in non-cash working capital	17	(8,267)	(5,495)	(19,772)	(10,089)
Income taxes paid		(1,246)	(167)	(1,802)	(4,118)
Net cash flows from (used in) operating activities		21,425	(477)	34,262	(982)
Investing activities:					
Acquisition of business from Carillion Canada		—	—	—	(7,413)
Purchase of property, plant and equipment		(1,877)	(1,266)	(3,061)	(3,106)
Purchase of intangible assets		(128)	(154)	(363)	(275)
Changes in non-cash investing assets and liabilities	17	(212)	—	5,531	—
Equity investment		(1,335)	—	(2,152)	—
Proceeds on sale of property, plant and equipment		1,684	657	4,368	702
Deferred payment to former shareholder		—	—	—	(17,635)
Net cash flows from (used in) investing activities		(1,868)	(763)	4,323	(27,727)
Financing activities:					
Issuance of common shares		—	—	—	17,635
Payments for lease liabilities		(2,035)	(198)	(2,904)	(416)
Payments on loans and borrowings		(15,420)	—	(34,605)	—
Finance costs paid		(2,102)	(93)	(3,610)	(162)
Dividends paid to non-controlling interest		—	—	(43)	—
Net cash flows used in financing activities		(19,557)	(291)	(41,162)	17,057
Change in cash position		—	(1,531)	(2,577)	(11,652)
Cash, beginning of period		—	6,139	2,577	16,260
Cash, end of period		$ —	$ 4,608	$ —	$ 4,608

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

1. Reporting Entity

Horizon North is a publicly listed corporation (TSX: HNL.TO) operating a pan-Canadian support services platform across eleven provinces and territories and diversified end markets. Our Modular Solutions business integrates modern design concepts with off-site manufacturing processes to produce high-quality building solutions for social and affordable housing, commercial, residential and industrial clients. Our Facilities Management business delivers operation and maintenance solutions for built assets and infrastructure in the public and private sectors, including aviation, defence and security, retail, healthcare, education and government. Our Workforce Accommodations, Forestry and Energy Services business provides a full range of workforce accommodations solutions, forestry services and access solutions to clients in the energy, mining, forestry and construction sectors among others. Horizon North has an outstanding record of creating and managing places that play a vital role in the national economy and our local communities. What sets us apart is our expertise in bringing together the right people with the right skills to transform service delivery and improve customers' experiences.

On May 29, 2020, Horizon North Logistics Inc. ("Horizon North") (TSX: HNL.TO) entered into a transaction (the "Transaction") with 10647802 Canada Limited, operating as Dexterra Integrated Facilities Management ("Dexterra"), a subsidiary of Fairfax Financial Holdings Limited (TSX: FFH and FFH.U) ("Fairfax Financial"). Pursuant to the Transaction, Horizon North acquired all of the outstanding common shares of Dexterra and in exchange issued 31,785,993 common shares of Horizon North ("Common Shares") to Dexterra's sole shareholder, 9477179 Canada Inc. ("Dexterra Parent"), a wholly-owned subsidiary of Fairfax Financial. Accordingly, Fairfax Financial controls a 49% interest in the newly combined Corporation, while existing Horizon North shareholders maintain a 51% interest. Prior to the Transaction, Fairfax Financial had no ownership interest in Horizon North.

For accounting purposes, the Transaction constituted a reverse acquisition that involved a change of control of Horizon North and a business combination of Horizon North and Dexterra, to form a new corporation that now carries on operations as Horizon North Logistics Inc. (the "Corporation"). Based on the guidance in IFRS 3, Business Combinations, it was determined that Horizon North was the accounting acquiree and Dexterra was the accounting acquirer, as Fairfax Financial, the sole shareholder of Dexterra, now controls Horizon North. As a result, 2019 comparative information included herein is solely Dexterra. Horizon North financial results are included subsequent to the Transaction closing date. Refer to Note 4 for further information.

2. Statement of Compliance

These financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Corporation adopted in its consolidated financial statements for the year ended December 31, 2019, other than as described in Note 3. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. These financial statements were approved by the board of directors of Horizon North on November 10, 2020.

3. Basis of Preparation

The basis of preparation, and accounting policies and methods of their application in these condensed interim consolidated financial statements, including comparatives, are consistent with those used in Dexterra's audited annual consolidated financial statements for the year ended December 31, 2019, except as disclosed in the Changes in accounting policies section below, and should be read in conjunction with those annual consolidated financial statements. The Corporation's functional currency, and the preparation currency of the condensed interim consolidated financial statements, is the Canadian dollar.

On July 16, 2020, the Corporation completed a five-for-one share consolidation of all of its issued and outstanding common shares ("the Consolidation"). Prior to the Consolidation, a total of 324,346,871 common shares were issued and outstanding, and after the Consolidation the Corporation has 64,869,417 issued and outstanding common shares. All share and per share data presented in the Corporation's condensed consolidated interim financial statements, including share options outstanding, has been retroactively adjusted to reflect the Consolidation, unless otherwise noted.

Certain prior period balances have been reclassified to conform to the current period presentation.

Changes in accounting policies

Effective January 1, 2020, the Corporation changed its accounting policy of presenting expenses recognized in the condensed consolidated statement of comprehensive income by nature in accordance with IAS 1 - Presentation of financial statements. The Corporation believes presenting an analysis of expenses recognized in the condensed consolidated statement of comprehensive income by function provides more reliable and relevant financial information to users of its financial statements. Under the new accounting policy, presentation of additional information on the nature of expenses will be included in the notes to the financial statements.

Government Assistance

IAS 20 "Accounting for government grants and disclosure of government assistance" ("IAS 20") sets out the standard for accounting of government grants and other forms of government assistance. Government assistance is not recognized until there is reasonable assurance that the Corporation will comply with the associated conditions, and that the grant will be received. Government grants shall be recognized in profit or loss on a systematic basis over the periods in which the entity recognizes the expenses for the related costs for which the assistance is intended to compensate. For government assistance that becomes receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the Corporation with no future related costs, are recognized in profit or loss for the period in which it becomes receivable. The Corporation recognized government assistance as a reduction in the related expense, through the condensed consolidated statements of comprehensive income.

As a result of the business combination between Dexterra and Horizon North, additional and amended accounting policies have been presented below that are applicable to the Corporation following the reverse acquisition discussed in Note 1 and Note 4.

a. 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.

b. 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.

c. 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.

d. 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. 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.

ii. Rendering of energy 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.

iii. 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.

iv. 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.

e. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer. The Corporation has three reportable segments, which are Facilities Management, Workforce Accommodations, Forestry and Energy Services ("WAFES") and Modular Solutions. Horizon North's Facilities Management segment provides solutions for ongoing maintenance and operations of high-quality infrastructure. WAFES provides turnkey workforce solutions including project management, structure supply, installation, catering operations, tree planting, vegetation management, type-2 firefighting services and various energy services such as access matting and relocatable rentals. 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 social and affordable housing, commercial, industrial and residential offerings including offices, hotels, and retail buildings, as well as distinctive single detached dwellings and multi-family residential structures.

4. Business Combination

On May 29, 2020, Horizon North acquired 100% of the issued and outstanding shares of Dexterra through issuing 31,785,993 shares of Horizon North to Dexterra Parent, as described in Note 1. Management performed an analysis under *IFRS 3 – Business Combinations* ("IFRS 3") and determined that Dexterra is the accounting acquirer of Horizon North. As such, the Transaction constitutes a Reverse Take Over for accounting purposes. Therefore, Dexterra is deemed to be the continuing enterprise for accounting purposes and accordingly its assets and liabilities are included in these consolidated financial statements at historical cost. Horizon North, being the acquired enterprise for accounting purposes has its assets and liabilities included in these financial statements at their fair value on the date of the transaction in accordance with IFRS 3.

The acquisition is being accounted for using the acquisition method whereby the assets and liabilities of the acquiree are recorded at their fair values, with the deficit of the aggregate consideration relative to the fair value of the identifiable net assets recorded as a bargain purchase gain. The Corporation continues to assess the fair values of the net assets acquired based on management's best estimate of the fair 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.

Consideration:		**(000's)**
Share consideration	$	100,904
Total Consideration	$	100,904

Recognized fair value amounts of assets acquired and liabilities assumed:		**(000's)**
Trade & other receivables (net)	$	110,843
Inventories		17,850
Prepaid expenses and other		7,897
Property, plant and equipment		189,736
Right-of-use assets		21,878
Intangible assets - trade names		3,800
Deferred income tax asset		8,340
Income taxes receivable		357
Other assets(1)		10,480
Trade and other payables		(59,500)
Deferred revenue		(2,079)
Asset retirement obligations		(11,100)
Lease liabilities		(25,285)
Loans and borrowings		(138,185)
Total identifiable net assets	$	135,032
Bargain purchase gain on acquisition	$	(34,128)

(1) Other assets at May 29, 2020 included an equity accounted investment in Gitxaala Horizon North Services Limited Partnership ($8.8 million), a joint venture that is 49% owned by the Corporation, and the long term portion of finance lease receivable.

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

The share consideration was determined based on the number of Horizon North common shares not acquired by Dexterra as part of the Transaction, which is the amount of 33,083,424 common shares at $3.05 per common share. The amount per share was based on Horizon North's closing price on the TSX on May 29, 2020, the date of the closing of the Transaction, retroactively adjusted for the Consolidation. A bargain purchase gain was recorded with this business combination as the share consideration is based upon a lower share price at closing compared to the price contemplated at the time the deal was negotiated.

From the date of acquisition to September 30, 2020, the former Horizon North operations contributed $131.1 million of revenue and $15.0 million of income before tax to the Corporation. If the business combination had been completed on January 1, 2020, the revenue and income before income tax for the nine-month period ending September 30, 2020 for the combined entity, adjusting for Horizon North's Q1 2020 impairment loss and the lower depreciation expense from the assets being recorded at fair value, would have been $476.3 million and $63.4 million, respectively, which includes the $34.1 million Bargain purchase gain and $4.9 million in transaction costs.

Dexterra incurred costs related to the acquisition of Horizon North of $1.8 million relating to share issuance, legal, 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 $1.7 million were included in selling, general & administrative expenses on the consolidated statement of comprehensive income.

5. Inventories

(000's)	September 30, 2020	December 31, 2019
Raw materials	$ 5,378	$ —
Work-in-progress	5,104	—
Finished goods	11,337	4,451
Inventories	$ 21,819	$ 4,451

The work-in-progress inventory relates to the construction of a hotel, which has been paused until a later date. Management's intention is to sell the hotel upon completion.

6. Property, Plant and Equipment

Carrying Amounts (000's)	Camp equipment & mats	Land & buildings	Automotive & trucking equipment	Furniture, fixtures & other equipment	Total
Cost					
December 31, 2019	$ 5,097	$ 1,526	$ 521	$ 4,369	$ 11,513
Acquisition of Horizon North	141,414	26,433	18,358	2,963	189,168
Acquisition of Horizon North - Assets under construction	19	—	—	549	568
Additions and transfers	373	(154)	512	431	1,162
Assets under construction	1,705	—	14	—	1,719
Change in Asset Retirement Obligation estimate	433	—	—	—	433
Disposals	(2,442)	(30)	(2,467)	(17)	(4,956)
September 30, 2020	$ 146,599	$ 27,775	$ 16,938	$ 8,295	$ 199,607
Accumulated Depreciation					
December 31, 2019	$ 1,527	$ 290	$ 98	$ 1,344	$ 3,259
Depreciation	4,723	529	2,156	1,258	8,666
Disposals	(1,490)	(7)	(9)	(1)	(1,507)
September 30, 2020	$ 4,760	$ 812	$ 2,245	$ 2,601	$ 10,418
Net book value					
September 30, 2020	$ 141,839	$ 26,963	$ 14,693	$ 5,694	$ 189,189
December 31, 2019	$ 3,570	$ 1,236	$ 423	$ 3,025	$ 8,254

7. Leases

(i) Right-of-use assets

(000's)	Camp equipment & mats	Land & buildings	Automotive & trucking equipment	Furniture, fixtures & other equipment	Total
Cost					
December 31, 2019	$ —	$ 919	$ 1,174	$ 184	$ 2,277
Acquisition of Horizon North	2,445	19,316	75	42	21,878
Additions	83	—	—	—	83
Disposals	—	(543)	—	—	(543)
September 30, 2020	$ 2,528	$ 19,692	$ 1,249	$ 226	$ 23,695
Accumulated Depreciation					
December 31, 2019	$ —	$ 316	$ 243	$ 46	$ 605
Depreciation	1,198	1,737	246	60	3,241
September 30, 2020	$ 1,198	$ 2,053	$ 489	$ 106	$ 3,846
Net book value					
September 30, 2020	$ 1,330	$ 17,639	$ 760	$ 120	$ 19,849
December 31, 2019	$ —	$ 603	$ 931	$ 138	$ 1,672

(ii) Lease liabilities

Maturity Analysis – contractual undiscounted cash flows	(000's)
Less than one year	$ 7,242
One to five years	12,910
More than five years	8,078
Total undiscounted lease payable as at September 30, 2020	$ 28,230
Lease liabilities included in the statement of financial position at September 30, 2020	$ 23,634
Current	6,940
Non-current	16,694

At September 30, 2020, 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.

8. Intangible Assets

Intangible assets at the consolidated statement of financial position date are as follows:

(000's)	Trade Names	Customer Relationships	Computer software	Total
Cost				
As at December 31, 2019	$ —	$ 22,483	$ 1,125	$ 23,608
Acquisition of Horizon North	3,800	—	—	3,800
Additions and transfers	—	—	670	670
September 30, 2020	$ 3,800	$ 22,483	$ 1,795	$ 28,078
Accumulated Amortization				
As at December 31, 2019	$ —	$ 2,163	$ 387	$ 2,550
Amortization	217	1,385	418	2,020
Disposals and transfers	—	—	—	—
September 30, 2020	$ 217	$ 3,548	$ 805	$ 4,570
Net book value				
September 30, 2020	$ 3,583	$ 18,935	$ 990	$ 23,508
December 31, 2019	$ —	$ 20,320	$ 738	$ 21,058

9. Other Assets

Other assets at September 30, 2020 include an equity accounted investment in Gitxaala Horizon North Services Limited Partnership ($11.2 million) and long-term lease receivables, all of which were acquired as part of the Transaction.

10. Loans and borrowings

(000's)	September 30, 2020	December 31, 2019
Committed credit facility	$ 109,646	$ 5,453
Unamortized financing costs	(1,147)	—
Total borrowings	$ 108,499	$ 5,453

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

Effective June 30, 2020, Horizon North reached an agreement with its lenders to amend its Credit Facility and extend the maturity date to December 30, 2022. The Credit Facility has an available limit of $175.0 million and is secured by a $400.0 million first fixed and floating charge debenture over all assets of the Corporation and its wholly-owned subsidiaries. The interest rate for the credit facility is calculated on a grid pricing structure based on the Corporation's debt to EBITDA ratio. Amounts drawn on the credit facility incur interest at bank prime rate plus 1.00% to 2.25% or the Bankers' Acceptance rate plus 2.00% to 3.25%. The credit facility has a standby fee ranging from 0.50% to 0.81%.

As at September 30, 2020, the Corporation was in compliance with all financial and non-financial covenants related to the credit facility and available borrowing capacity was $58.6 million, which includes $6.8 million in letters of credit.

The operating facility in place at December 31, 2019 was Dexterra's stand-alone facility prior to the Transaction. The facility was repaid in May 2020, and was cancelled on May 29, 2020 upon closing the Transaction.

11. 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)	September 30, 2020	December 31, 2019
Balance, beginning of period	$ —	$ —
Acquisition of Horizon North	11,100	—
Discount rate change	205	—
Accretion of provisions	9	—
Asset retirement obligations settled	(1,216)	—
Change in estimate	227	
Balance, end of period	$ 10,325	$ —

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 September 30, 2020 was $10.5 million (December 31, 2019 - nil) and determined using risk free interest rates of 0.59% and an inflation rate of 0.30%. 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)	September 30, 2020	December 31, 2019
Current	$ 5,096	$ —
Non-current	5,229	—
Balance, end of year	$ 10,325	$ —

12. Share Capital

As described under Note 3, on July 16, 2020, the Corporation completed a five-for-one share consolidation of all of its issued and outstanding common shares. All current and prior period share and per share data presented below, including share options outstanding, has been retroactively adjusted to reflect the Consolidation unless otherwise noted.

(a) Authorized and issued

The Corporation is authorized to issue an unlimited number of common shares. The number of common shares and share capital as at the consolidated balance sheet date are presented in the table below:

(In 000's other than number of shares)	Total number of shares	Total share capital
Balance, December 31, 2019	31,785,993	$ 131,543
Effect of reverse acquisition of Horizon North	33,083,424	100,904
Share issue costs	—	(99)
Balance, September 30, 2020	64,869,417	$ 232,348

On May 29, 2020, Horizon North acquired 100% of the issued and outstanding shares of Dexterra through issuing 31,785,993 shares of Horizon North to Dexterra Parent, as described in Note 1 and Note 4. As Dexterra was determined to be the accounting acquirer, the number of common shares outstanding as at December 31, 2019 has been adjusted retrospectively to reflect the capital of Dexterra using the exchange ratio established in the acquisition agreement.

(b) 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, or 6,486,942 options, subject to terms and conditions. Share option vesting privileges are at the discretion of the Board of Directors and current options issued 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 4.7 years and the current options granted have a maximum term of 5 years.

	Nine months ended September 30, 2020	
	Outstanding options	Weighted average exercise price
Balance, beginning of period	—	$ —
Granted	1,005,000	3.05
Forfeited	(15,000)	3.05
Balance, end of period	990,000	$ 3.05

The exercise prices for options outstanding and exercisable at September 30, 2020 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
$3.05	990,000	$ 3.05	4.7	—	$ —

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 value of all options granted during the period and the assumptions used in their determination are as follows:

	September 30, 2020
Fair value per option	$ 1.21
Forfeiture rate	9.95 %
Grant price	$ 3.05
Expected life	3.0 years
Risk free interest rate	0.30 %
Dividend yield rate	— %
Volatility	62.72 %

Expected volatility is estimated by considering historic average share price volatility. For the three and nine months ended September 30, 2020, share based compensation for share options included in net earnings amounted to $0.16 million and $0.21 million (2019 - nil).

13. Other Revenue

Other revenue includes amounts awarded to the Corporation through legal proceedings with two former customers. These items are expected to be non-recurring.

14. Direct Costs

	Three months ended September 30,		Nine months ended September 30,	
(000's)	2020	2019	2020	2019
Wages and benefits	$ 56,260	$ 44,958	$ 109,166	$ 117,027
Subcontracting	21,601	9,085	40,228	20,060
Product cost	19,310	7,960	32,053	22,376
Equipment and repairs	2,462	2,208	5,102	4,533
Vehicles	3,579	1,433	5,124	2,669
Cost of goods manufactured	20,402	—	26,592	—
Occupancy costs	3,673	—	4,673	—
Earnings on equity investment	(353)	—	(288)	—
Other operating expense	8,846	3,280	16,560	10,358
	$ 135,780	$ 68,924	$ 239,210	$ 177,023

Included in wages and benefits is the impact of the Canada Emergency Wage Subsidy, which reduced salaries by $9.1 million and $26.7 million for the three and nine months ended September 30, 2020, respectively.

15. Selling, General and Administrative Expenses

	Three months ended September 30,		Nine months ended September 30,	
(000's)	2020	2019	2020	2019
Wages and benefits	$ 5,358	$ 686	$ 12,971	$ 2,557
Other selling and administrative expenses	2,458	1,356	2,894	4,120
	$ 7,816	$ 2,042	$ 15,865	$ 6,677

Included in wages and benefits is the impact of the Canada Emergency Wage Subsidy, which reduced salaries by $0.4 million and $1.2 million for the three and nine months ended September 30, 2020, respectively.

16. Income Taxes

For the three and nine months ended September 30, 2020, the Corporation's effective income tax rate was 26.8% and 14.5%, respectively. The lower tax rate for the year to date period was primarily due to the Acquisition of Horizon North and related non-taxable bargain purchase gain.

For the three and nine months ended September 30, 2019, the Corporation's effective income tax rate of 26.2% was relatively consistent with the statutory rate.

The Corporation has non-capital losses for Canadian tax purposes of $74.5 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. The Corporation expects to fully utilize these losses before their expiry except as noted below.

Deferred tax assets of $2.0 million have not been recognized in respect of $7.2 million of tax losses. 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 current and deferred tax expense breakdown is as follows:

	Three months ended September 30,		Nine months ended September 30,	
Income tax expense :	2020	2019	2020	2019
Current	$ 3,303	$ 773	$ 8,125	$ 1,771
Deferred	2,580	442	2,765	1,012
	5,883	1,215	10,890	2,783

17. Cash Flow Information

The details of the changes in non-cash working capital are as follows:

	Three months ended September 30,		Nine months ended September 30,	
(000's)	2020	2019	2020	2019
Trade and other receivables	(4,896)	(47)	(2,214)	(7,299)
Inventories	391	(352)	(524)	43
Prepaid expenses and other	131	430	2,678	(1,353)
Trade and other payables	(4,238)	(6,932)	(17,902)	(2,758)
Deferred revenue	345	1,406	(1,810)	1,278
	(8,267)	(5,495)	(19,772)	(10,089)

Changes in non-cash investing assets and liabilities are as follows:

	Three months ended September 30,		Nine months ended September 30,	
(000's)	2020	2019	2020	2019
Accounts payable and accrued liabilities	(212)	—	5,531	—
	(212)	—	5,531	—

18. Net Earnings per Share

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Number of common shares, beginning of period	64,869,417	31,785,993	31,785,993	27,524,764
Common shares issued	—	—	—	4,230,012
Effect of reverse Acquisition of Horizon North	—	—	14,972,041	—
Weighted average common shares outstanding - basic	64,869,417	31,785,993	46,758,034	31,754,776
Effect of share purchase options[(1)]	989,685	—	—	—
Weighted average common shares outstanding - diluted	65,859,102	31,785,993	46,758,034	31,754,776

(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

19. Dividends

A dividend of $0.075 per share was declared for the quarter ended September 30, 2020 and has been accrued in trade and other payables as at September 30, 2020. The dividend is payable to shareholders of record at the close of business on September 30, 2020 to be paid on October 15, 2020.

(ooo's except per share amounts)	**2020**		**2019**	
	Amount per share	Total dividend amount	Amount per share	Total dividend amount
March 31	$ —	$ —	$ —	$ —
June 30	—	—	—	—
September 30	0.075	4,865	—	—
December 31			—	—
Total dividend	$ 0.075	$ 4,865	$ —	$ —

20. Reportable Segment Information

The Corporation operates in Canada through three operating segments: Facilities Management, WAFES and Modular Solutions.

The Facilities Management business delivers operation and maintenance solutions for built assets and infrastructure in the public and private sectors, including aviation, defence and security, retail, healthcare, education and government. The WAFES segment combines the workforce accommodations operations, forestry and associated services as well as energy services such as access matting and relocatable rentals. The Modular Solutions segment is comprised of all modular manufacturing and installation operations for social and affordable housing, commercial and residential end markets. Corporate includes the costs of head office administration, interest costs, taxes, other corporate costs and residual assets and liabilities.

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

Three months ended September 30, 2020 *(000's)*	Facilities Management	WAFES	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	$ 35,696	$ 96,591	$ 39,511	$ —	$ (1,449)	$ 170,349
Other revenue	—	6,569	—	—	—	6,569
Total revenue	35,696	103,160	39,511	—	(1,449)	176,918
Operating expenses						
Direct costs	28,988	73,812	34,297	—	(1,317)	135,780
Selling, general and administrative expenses	1,109	938	1,273	4,496	—	7,816
Depreciation and amortization	763	6,704	970	348	—	8,785
Share based compensation	—	—	—	157	—	157
(Gain) loss on disposal of property, plant and equipment	—	385	—	—	—	385
Operating income (loss)	4,836	21,321	2,971	(5,001)	(132)	23,995
Finance costs	—	108	404	1,539	—	2,051
Earnings (loss) before income taxes	$ 4,836	$ 21,213	$ 2,567	$ (6,540)	$ (132)	$ 21,944
Total assets	$ 184,826	$ 269,161	$ 88,432	$ 6,001	$ (1,163)	$ 547,257

Three months ended September 30, 2019 *(000's)*	Facilities Management	WAFES	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	$ 44,208	$ 31,943	$ —	$ —	$ —	$ 76,151
Operating expenses						
Direct costs	40,262	28,662	—	—	—	68,924
Selling, general and administrative expenses	836	453	—	753	—	2,042
Depreciation and amortization	550	273	—	70	—	893
(Gain) loss on disposal of property, plant and equipment	—	(441)	—	—	—	(441)
Operating Income (loss)	2,560	2,996	—	(823)	—	4,733
Finance costs	—	—	—	93	—	93
Earnings (loss) before income taxes	$ 2,560	$ 2,996	$ —	$ (916)	$ —	$ 4,640
Total assets	$ 113,424	$ 62,223	$ —	$ 2,133	$ —	$ 177,780

Nine months ended September 30, 2020 *(000's)*	Facilities Management	WAFES	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	$ 108,706	$ 149,887	$ 50,555	$ —	$ (2,320)	$ 306,828
Other revenue	—	6,569	—	—	—	6,569
Total revenue	108,706	156,456	50,555	—	(2,320)	313,397
Operating expenses						
Direct costs	86,949	111,794	42,577	—	(2,110)	239,210
Selling, general and administrative expenses	3,021	1,963	1,703	9,178	—	15,865
Depreciation and amortization	2,339	9,510	1,398	680	—	13,927
Share based compensation	—	—	—	206	—	206
(Gain) loss on disposal of property, plant and equipment	(4)	(155)	40	—	—	(119)
Operating income (loss)	16,401	33,344	4,837	(10,064)	(210)	44,308
Bargain purchase gain	—	—	—	(34,128)	—	(34,128)
Finance costs	—	142	475	2,477	—	3,094
Earnings (loss) before income taxes	$ 16,401	$ 33,202	$ 4,362	$ 21,587	$ (210)	$ 75,342
Total assets	$ 184,826	$ 269,161	$ 88,432	$ 6,001	$ (1,163)	$ 547,257

Nine months ended September 30, 2019 *(000's)*	Facilities Management	WAFES	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	$ 122,063	$ 74,862	$ —	$ —	$ —	$ 196,925
Operating expenses						
Direct costs	113,045	63,978	—	—	—	177,023
Selling, general and administrative expenses	2,435	1,225	—	3,017	—	6,677
Depreciation and amortization	1,835	887	—	196	—	2,918
(Gain) loss on disposal of property, plant and equipment	—	(487)	—	—	—	(487)
Operating income (loss)	4,748	9,259	—	(3,213)	—	10,794
Finance costs	—	—	—	162	—	162
Earnings (loss) before income taxes	$ 4,748	$ 9,259	$ —	$ (3,375)	$ —	$ 10,632
Total assets	$ 113,424	$ 62,223	$ —	$ 2,133	$ —	$ 177,780

21. Seasonality

Horizon North's earnings are affected by seasonality in certain operating segments. Historically, earnings in the second and third quarters are positively impacted by the seasonal Forestry operations, which is part of the WAFES segment. For the Workforce Accommodations portion of the WAFES segment, camp occupancy is historically at its lowest level during the holiday season. This, in conjunction with the Forestry Services low revenue winter season, causes revenues to be at their lowest levels in the first and fourth quarters. The Modular Solutions and Facilities Management segments include project work that may not be evenly distributed throughout the fiscal year.

22. Critical Accounting Estimates and Judgements

The preparation of condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates and judgments about the future. These estimates and judgements are disclosed in Note 3 of Dexterra's audited annual consolidated financial statements for the year ended December 31, 2019. There have been no significant changes to the areas of estimation and judgement during the nine months ended September 30, 2020, except for the items discussed below.

Estimates

For the quarter ended June 30, 2020, the Corporation updated its impairment assessments on its goodwill and customer relationships for estimation uncertainty in determining discounted cash flows and the underlying assumptions about discount rates, working capital requirements and other inputs, due to the unpredictable duration and impacts of the COVID-19 pandemic. The Corporation has assumed that the economic impacts of COVID-19 will remain for the duration of government mandated restrictions by jurisdiction as currently known, with gradual lifting of those restrictions. The uncertainty in those assumptions were incorporated into the Corporation's discounted cash flows used to determine recoverable amounts primarily through the adjustment of short term cash flows and higher discount rates, as applicable. The Corporation concluded there was no impairment of its goodwill or customer relationships intangible assets at June 30, 2020. As at September 30, 2020, no new indicators of impairment were noted, and as such, no further impairment analysis was performed and the Corporation concluded there was no impairment.

Additional significant estimates and judgments as a result of the Acquisition of Horizon North are as follows:

- 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.
- Asset Retirement Obligation ("ARO") - The Corporation recognizes an asset retirement obligation 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.
- 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.
- 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.

23. Financial risk management

In the normal course of business, the Corporation is exposed to a number of financial risks that can affect its operating performance. These risks are: credit risk, liquidity risk and interest rate risk. The Corporation's overall risk management program and prudent business practices seek to minimize any potential adverse effects on the Corporation's financial performance. The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements. They should be read in conjunction with the annual consolidated financial statements as at December 31, 2019. There have been no changes in the risk management or in any risk management policies since year end, except as discussed below:

COVID-19 Pandemic

The rapid spread of the COVID-19 virus, which was declared by the World Health Organization to be a pandemic on March 11, 2020, and actions taken globally in response to COVID-19, have significantly disrupted business activities throughout the world. The Corporation's business relies, to a certain extent, on free movement of goods, services, and capital within Canada, which has been significantly restricted as a result of the COVID-19 pandemic. Given the ongoing and dynamic nature of the circumstances surrounding COVID-19, it is difficult to predict how significant the impact of COVID-19, including any responses to it, will be on the economy and the Corporation's business in particular, or for how long any disruptions are likely to continue. The extent of such impact will depend on future developments, which are highly uncertain, rapidly evolving and difficult to predict, including additional actions which may be taken to contain COVID-19, as well as the timing of the re-opening of the economy in Canada. Such further developments could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

The Facilities management segment continued to experience reductions in revenue as a result of reduced services, mainly in the Aviation and Retail markets. The WAFES and Modular Solutions segments have seen less significant declines in revenue but have still been impacted due to lower activity in camp/catering services and the deferral of social and affordable housing projects and timing of portable classroom builds.To mitigate the impact of COVID-19 and to align the expenditures with the reduction in revenues and demand, the Corporation reduced its workforce in Q2 2020 by approximately 40% when compared to the prior year for similar operations and reduced certain other costs. New business opportunities in the pipeline have also been affected and are expected to shift to future periods. It is impossible to forecast the duration and full scope of the economic downturn caused by the COVID-19 pandemic and the related consequences it will have on the Corporation and its business, including the potential impact on its services once these social distancing policies are lifted. However, at this time, it is unknown to the Corporation how the COVID-19 pandemic will evolve and impact demand for the Corporation's services which may lead to lower revenue; the federal and provincial governments' support programs for businesses to help offset the impact of COVID-19; and the impact on the Corporation's customers and their solvency.

The management team has implemented plans to modify the cost structure, such as reducing the workforce and other costs to mitigate the impact of COVID-19, while continuing to provide essential services to its clients. Additionally, the Corporation has applied for government support programs and qualified for $9.5 million and $27.9 million of Canada Emergency Wage Subsidy ("CEWS") funding for the three and nine months ended September 30, 2020, which has helped to offset the negative earnings impact of COVID-19. Based on the current changes to the CEWS program, the benefit to the Corporation of any subsidies after September 30, 2020 is declining and expected to be less material.

The Corporation expects that its clients will have heightened requirements for cleaning, disinfecting and building maintenance services and Horizon North should be well positioned to support these expanded requirements.

The Corporation continues to monitor the recoverability of trade receivables and the impact of current and expected future credit losses are reflected in the expected credit loss provisions. There was no significant impact to expected future credit losses due to COVID-19 at September 30, 2020. Further developments related to the economy in Canada, which were unforeseen as at September 30, 2020, could have an adverse effect on the recoverability of trade receivables. The ultimate impact of COVID-19 on the Corporation may not be fully known for an extended period of time.

Credit Risk

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

(000's)	September 30, 2020	December 31, 2019
Trade receivables		
Neither impaired nor past due	$ 72,844	$ 14,098
Outstanding 31-60 days	5,248	8,649
Outstanding 61-90 days	1,239	2,214
Outstanding more than 90 days	3,230	1,611
Total trade receivables	82,561	26,572
Construction receivables		
Neither impaired nor past due	10,699	—
Outstanding 31-60 days	2,733	—
Outstanding 61-90 days	1,973	—
Outstanding more than 90 days	6,723	—
Total construction receivables	22,128	—
Accrued revenue	37,517	8,878
Accrued construction revenue	25,155	—
Other receivables	4,017	134
Allowance for doubtful accounts	(3,528)	(152)
Total trade and other receivables	$ 167,850	$ 35,432

As at September 30, 2020, the Corporation provided an allowance for $3.5 million of receivables. Due to the COVID-19 pandemic and the resulting material disruption to businesses globally, combined with the significant decline in commodity prices, the allowance includes $1.0 million recorded year to date that specifically relates to higher risk receivables from customers operating in the oil & gas and mining industries.

Liquidity Risk

The following shows the timing of cash outflows relating to trade and other payables, lease liabilities and loans and borrowings as at September 30, 2020:

	September 30, 2020			December 31, 2019		
	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	$ 96,592	$ 7,242	$ —	$ 16,629	$ 692	$ 5,453
Year 2	1,886	4,976		383	972	—
Year 3	631	3,110	109,646	375	208	—
Year 4	1,429	2,480	—	—	—	—
Year 5 and beyond	2,722	10,422	—	681	—	—
	$ 103,260	$ 28,230	$ 109,646	$ 18,068	$ 1,872	$ 5,453

(1) Trade and other payables include trade and other payables, income taxes payable, contingent consideration 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.

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 1.00% to 2.25% or the Bankers' Acceptance rate plus 2.00% to 3.25%. If prime were to have increased by 1.00%, it is estimated that the Corporation's net earnings would have decreased by approximately $0.3 million for the three months ended September 30, 2020. This assumes that the amount and mix of fixed and floating rate debt in the period remains unchanged and that the change in interest rates is effective from the beginning of the period.

HORIZON NORTH