Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of Enterprise Group, Inc.

The management of Enterprise Group, Inc. prepared these consolidated financial statements and is responsible for their reliability, completeness and integrity. They conform in all material aspects to International Financial Reporting Standards.

Management maintains the necessary accounting and internal control systems to ensure: the timely production of reliable and accurate accounting information, the protection of assets (to a reasonable extent) against loss or unauthorized use, and the promotion of operational efficiency. The Board of Directors oversees management's responsibilities for the financial reporting and internal control systems.

The auditors, who are recommended to the Shareholders by the Audit Committee and appointed by the Shareholders, conducted an audit of these consolidated financial statements in accordance with Canadian auditing standards. The Audit Committee reviewed these financial statements with the auditors in detail before recommending their approval.

St. Albert, Alberta
March 11, 2020

(Signed) "Leonard D. Jaroszuk"
Leonard Jaroszuk, President, Chief Executive Officer

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Independent Auditor’s Report

To the Shareholders of
Enterprise Group, Inc.

Opinion

We have audited the consolidated financial statements of Enterprise Group, Inc. (“the Company”), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Consolidated Financial Statements and Auditor’s Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Heather Murk.

Edmonton, Canada

March 11, 2020

Chartered Professional Accountants

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As at December 31		**2019**		2018
Assets				
Cash and cash equivalents (note 4)	**$**	**969,051**	$	869,912
Trade and other receivables (note 4)		**5,290,872**		5,523,703
Unbilled revenue		**420,391**		724,794
Inventories (note 5)		**196,572**		228,703
Deposits and prepaid expenses		**182,540**		180,413
		7,059,426		7,527,525
Property, plant and equipment (note 5)		**48,299,173**		48,631,116
Intangible assets (note 8)		**93,860**		141,651
Deferred tax assets (note 9)		**2,838,249**		3,828,707
		51,231,282		52,601,474
Total assets	**$**	**58,290,708**	$	60,128,999
Liabilities				
Trade and other payables (note 4)	**$**	**1,799,106**	$	1,833,821
Income taxes payable		**116,227**		-
Current portion of loans and borrowings (note 10)		**10,123,063**		407,875
		12,038,396		2,241,696
Long term portion of loans and borrowings (note 10)				
Bank loan facility		**-**		7,186,998
Leases		**786,967**		296,244
Mortgages		**2,362,856**		954,834
Deferred tax liabilities (note 9)		**2,838,249**		3,828,707
Total liabilities		**18,026,468**		14,508,479
Equity				
Share capital (note 11)		**73,213,572**		79,204,845
Contributed surplus		**12,769,729**		7,099,031
Deficit		**(45,719,061)**		(40,683,356)
Total equity		**40,264,240**		45,620,520
Total equity and liabilities	**$**	**58,290,708**	$	60,128,999

Approved on behalf of the Board:

(Signed) "Leonard D. Jaroszuk" Leonard D. Jaroszuk Director

(Signed) "John Pinsent" John Pinsent, FCPA, FCA, ICD.D. Director

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statements of Loss and Comprehensive Loss

Years ended December 31,	**2019**	2018
Revenue	**$ 19,521,797**	$ 20,479,612
Direct expenses	**(14,476,827)**	(17,605,790)
Gross margin	**5,044,970**	2,873,822
General and administrative expenses	**(2,165,287)**	(2,792,166)
Depreciation of property, plant and equipment (note 6)	**(5,763,024)**	(5,277,949)
Share-based payments (note 12)	**(399,954)**	-
Amortization of intangible assets (note 8)	**(83,678)**	(373,391)
Loss on sale of property, plant and equipment	**(859,730)**	(228,012)
Income before financing, impairment, and taxes	**(4,226,703)**	(5,797,696)
Finance expense (note 10)	**(890,138)**	(437,257)
Impairment of intangible assets (note 8)	**-**	(1,536,771)
Impairment of goodwill (note 7)	**-**	(2,350,529)
Loss before income tax	**(5,116,841)**	(10,122,253)
Income tax recovery (note 9)	**81,136**	1,756,084
Net loss from continuing operations	**(5,035,705)**	(8,366,169)
Gain from discontinued operations, net of tax (note 3)	**-**	2,553,666
Net loss and comprehensive loss	**$ (5,035,705)**	$ (5,812,503)
Net loss per share (note 13)		
Basic and diluted loss per share	**$ (0.09)**	$ (0.11)

The accompanying notes are an integral part of these consolidated financial statements

Years ended December 31,	2019	2018
Cash flows from operating activities:		
Net loss	**$ (5,035,705)**	$ (5,812,503)
Adjustments for:		
Depreciation of property, plant and equipment	**5,763,024**	5,423,158
Amortization of intangible assets	**83,678**	373,391
Loss (gain) on sale of property, plant and equipment	**859,730**	(6,113,611)
Share-based payments	**399,954**	-
Impairment of long-lived assets	**-**	3,887,300
Deferred income tax recovery	**-**	(1,002,084)
Finance expense (note 10)	**890,138**	547,370
Change in non-cash working capital (note 15)	**648,752**	6,494,378
Net cash provided by operating activities	**3,609,571**	3,797,399
Cash flows from financing activities:		
Net proceeds (repayment) from bank loan facility	**2,173,108**	(13,309,633)
Proceeds from mortgage facilities	**1,563,090**	-
Interest and borrowing costs paid on loans and borrowings	**(883,260)**	(1,006,192)
Repayment of lease liabilities	**(1,102,907)**	(496,140)
Repayment of mortgage facility	**(92,504)**	(88,418)
Share buyback and cancellation	**(720,529)**	(170,901)
Net cash provided (used) by financing activities	**936,998**	(15,071,284)
Cash flows from investing activities:		
Purchase of intangible assets	**(35,887)**	-
Purchase of property, plant and equipment	**(5,444,598)**	(7,080,638)
Proceeds on sale of property, plant and equipment	**1,033,055**	17,932,650
Net cash (used) provided by investing activities	**(4,447,430)**	10,852,012
Change in cash and cash equivalents	**99,139**	(421,873)
Cash and cash equivalents, beginning of year	**869,912**	1,291,785
Cash and cash equivalents, end of year	**$ 969,051**	$ 869,912

Net cashflows attributed to discontinued operations (note 3)

The accompanying notes are an integral part of these consolidated financial statements

	Number of common shares	Share capital	Warrants	Contributed surplus	Deficit	Total
Balance as at December 31, 2017	55,517,874	$79,736,972	$ 701,210	$6,737,805	$(35,184,209)	$51,991,778
Adjustment from the adoption of IFRS 9 at January 1, 2018, net of tax of $143,200	-	-	-	-	(387,854)	(387,854)
Adjusted balance as at January 1, 2018	55,517,874	79,736,972	701,210	6,737,805	(35,572,063)	51,603,924
Common shares repurchased and cancelled (note 11)	(370,500)	(532,127)	-	361,226	-	(170,901)
Warrants expired (note 12)	-	-	(701,210)	-	701,210	-
Net loss	-	-	-	-	(5,812,503)	(5,812,503)
Balance as at December 31, 2018	55,147,374	$79,204,845	$ -	$7,099,031	$(40,683,356)	$45,620,520
Common shares repurchased and cancelled (note 11)	(4,171,500)	(5,991,273)	-	5,270,744	-	(720,529)
Share-based payments (note 12)	-	-	-	399,954	-	399,954
Net loss	-	-	-	-	(5,035,705)	(5,035,705)
Balance as at December 31, 2019	**50,975,874**	**$73,213,572**	**$ -**	**$12,769,729**	**$(45,719,061)**	**$40,264,240**

The accompanying notes are an integral part of these consolidated financial statements

1. Reporting entity

Enterprise Group, Inc. (“Enterprise” or the “Company”) is a public company incorporated under the Alberta Business Corporations Act and its shares are listed on the Toronto Stock Exchange under the symbol “E”. Enterprise is a consolidator of businesses providing services to the utility, energy and construction industries. The Company has a fleet of trucks and heavy equipment to provide rental services for heavy equipment, flameless heating units and oilfield site service infrastructure throughout Western Canada. Enterprise’s head office is located at #2, 64 Riel Drive, St. Albert, Alberta, T8N 4A4.

The financial statements of the Company as at December 31, 2019, and December 31, 2018, are comprised of the Company and its wholly owned subsidiaries. The consolidated financial statements were authorized for issue by the Board of Directors on March 11, 2020.

2. Significant accounting policies

Statement of compliance

The Company prepares its financial statements in accordance with *International Financial Reporting Standards (IFRS)* as issued by the *International Accounting Standards Board (IASB)*.

Basis of presentation

The financial statements have been prepared on the historical cost basis.

Basis of consolidation

Included in these consolidated financial statements are the financial statements of Enterprise Group, Inc. and its wholly-owned subsidiaries: E One Limited, 1943749 AB Ltd. (formerly T.C. Backhoe & Directional Drilling Ltd.), Artic Therm International Ltd., Calgary Tunnelling & Horizontal Augering Ltd., 1940682 AB Ltd. (formerly Enterprise Trenchless Crossings Ltd.), Hart Oilfield Rentals Ltd., and Westar Oilfield Rentals, Inc. The financial statements of subsidiaries are consolidated from the date that control commences until the date that control ceases. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All subsidiaries have the same reporting periods as the Company. All significant inter-entity balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in full.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company’s and its subsidiaries' functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains or losses from the settlement of such transactions at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of loss and comprehensive loss.

New accounting standards

A new and revised standard is effective for periods beginning on or after January 1, 2019. Information on this standard is presented below:

IFRS 16 - Leases

IFRS 16 replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The new guidance makes significant changes to the previous guidance on the classification of operating leases under IAS 17. The remaining lease payments are measured at the present value and recorded as lease liabilities. All assets under lease are referred to as right-of-use assets moving forward. Lease contracts with a short lease term or where the underlying asset is of low value are exempt from being recognized on the balance sheet and expensed on a straight line basis over the term of the lease contract.

The Company has applied the new guidance using the modified retrospective approach and therefore comparative information has not been restated. Comparative information is reported under IAS 17 and IFRIC 4. Any impact of the transition is required to be recognized through an adjustment to the opening deficit balance at January 1, 2019, with the rules of IFRS 16 applied thereafter. There was no adjustment to opening retained deficit. The resulting additions to right-of-use assets at January 1 was $1,242,004.

Opening right-of-use assets	**Opening balance January 1, 2019**
Buildings and premises	$ 1,207,888
Small equipment	34,116
	$ 1,242,004

Existing lease contracts classified as finance leases under the previous standard at December 31, 2018, remained as lease liabilities at their previous asset carrying values. At December 31, 2018, the Company had $1,324,542 in operating lease commitments for premise leases, truck leases, and office equipment. The remaining lease payments were measured at their present value using the Company's incremental borrowing rate. This value determined the value of the lease liability and the right-of-use assets. The impact to lease liability as a result of the transition was as follows:

Opening lease liability	**Opening balance January 1, 2019**
Total operating lease commitments disclosed at December 31, 2018	$ 1,324,542
Changes to lease classifications	161,732
Impact of discounting at the incremental borrowing rate	(244,270)
	$ 1,242,004

The weighted average incremental borrowing rate applied to lease liabilities recognized under IFRS 16 was 6.7%.

Upon transition the following practical expedients were applied:

- The use of a single discount rate for the remaining lease payments on leases with similar characteristics
- The exclusion of initial direct costs in the measurement of the right-of-use assets upon adoption

Leased assets

Lease liabilities and right-of-use assets arising from a lease contract are initially measured at the present value of future lease payments. Lease liabilities include the net present value of the following net costs:

- fixed payments
- lease incentives receivable
- amounts expected to be payable from residual value guarantees
- the payment of a purchase option if the option is reasonably certain to be exercised
- payments of penalties for terminating a lease, if the assumed term would result in early termination
- variable lease payments that are based on an index or a rate

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used.

Right-of-use assets are initially measured at net present value of the following net costs:

- the amount of the initial lease liability
- any prepaid lease payments made at or prior to commencement
- lease incentives received
- initial direct costs
- restoration costs

Right-of-use assets are depreciated on a straight line basis over the earlier of the end of the useful life of the right-of-use asset and the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

Critical accounting judgments in applying accounting policies

The following are significant management judgements, apart from those involving estimation uncertainty, in applying the accounting policies of the Company that have the most significant effect on the financial statements:

i. Leases

Any contracts which contain the right to use an asset for a period in time in exchange for consideration can contain a lease. Contracts must meet three criteria as follows:

- an identified asset explicitly within the contract or implicitly upon delivery,
- the Company has the right to obtain all the economic benefits through the period of use as defined by the contract, and
- the Company has the right to use the identified asset through the period of use and direct 'how and for what purpose' the asset is used through the period of use.

In the prior reporting period, leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. All other leases were classified as operating and payments were recognized as an expense on a straight-line basis over the lease term.

ii. Deferred taxes

Management estimates the probability of future taxable income in which deferred tax assets can be utilized based on the Company's forecasted budget. The Company also takes into consideration non-taxable income and expenses and the various tax rules in effect or expected to be in effect at a future date. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, then the asset is recognized. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed by management based on specific circumstances.

Estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts included in the financial statements included, but were not limited to, the following:

i. Share-based payments

The Company estimates the fair value of stock option awards and warrants using the Black-Scholes Option Pricing Model. Certain key assumptions used in the model include the expected interest rate, expected volatility, forfeitures, dividend yield and expected term.

ii. Property, plant and equipment and intangible assets

The Company estimates useful life, residual value and depreciation methods based on industry norms, historical experience, market conditions and future cash flows. It is possible that future results could be materially affected by changes in the above factors.

iii. Business combinations

In a business combination, the Company may acquire assets and assume certain liabilities of an acquired entity. Estimates are made as to the fair value of property, plant and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property, plant and equipment, intangible assets and goodwill acquired, the Company may rely on independent third party valuators. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, discount rates, and earnings multiples.

iv. Impairments

An asset or cash generating unit ("CGU") is impaired when its carrying value exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model, which incorporates the Company's budget and business plan. The recoverable amount is most sensitive to the discount rate used in the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. To arrive at cash flow projections the Company uses estimates of economic and market information over the projection period, including growth rates in revenues, estimates of future expected changes in operating margins, cash expenditures, the amount of property, plant and equipment required to achieve the cashflow projections, other future estimates of capital expenditures and changes in future working capital requirements.

v. Impairment of financial assets

At the end of each reporting period, management monitors the expected credit loss against the net financial assets carried on the statement of financial position to assess credit risk and expected credit losses. Past events, current conditions and reasonable supportable forecasts are considered to identify and determine the extent of impairment, if any.

vi. Income tax

The Company follows the asset/liability method for calculating deferred taxes. Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws in each jurisdiction.

Financial instruments

The classification of a financial asset or liability is determined at the time of initial recognition. The Company does not enter into derivative contracts.

i. Financial assets

A financial asset is recognized when the Company has the contractual right to collect future cash flows. The Company's financial assets include cash and cash equivalents and trade and other receivables. The contractual terms of these noted instruments result in cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are initially recognized at fair value adjusted for applicable transactions costs. Any income or expenses related to financial assets, including impairment of trade receivables, is recognized in other income (expenses) through profit and loss.

Financial assets are subsequently measured at amortized cost using the effective interest method. Financial assets are derecognized when the contractual right to hold and collect future cash flows expires or substantially all risks and rewards have been transferred. Discounting of the future cash flows will be included if the impact is material.

ii. Financial liabilities

A financial liability is recognized when the Company has the contractual obligation to pay future cash flows. The Company's financial liabilities include loans and borrowings and trade and other payables.

Financial liabilities are initially recognized at fair value adjusted for applicable transactions costs. Interest-related charges and changes in an instrument's fair value due to contract modifications are reported through profit or loss.

The financial liabilities are subsequently measured at amortized cost using the effective interest method. Financial liabilities are derecognized when the contracted consideration and risks have been transferred, or if the future obligation expires, is extinguished, or is cancelled.

In the event of a modification that does not result in derecognition, a modification adjustment is recognized through profit or loss. The adjustment is calculated as the change between the original contractual cash flows and the present value of the modified cash flows at the original contracted effective interest rate. Management will monitor debt instruments for significant events that affect future cash flows. Events that could lead to a modification may include amendments, large debt repayments, or large draws on a debt instrument.

Financial instruments are classified into one of the following levels of fair value hierarchy:

Level 1 - Fair value measurements based on unadjusted quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 - Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3 - Fair value measurements derived from valuation techniques that include unobservable inputs.

Impairment

Financial assets

The Company holds financial assets to hold and collect the associated cash flows. The Company uses the simplified approach for trade and other receivables and records the loss allowance as lifetime expected credit losses. Historical bad debt experience, current conditions, and supportable forecasts are used to assess credit risk and measure expected credit losses over the life of the instrument. At each reporting period, the current credit loss recorded on the financial statements is assessed against the expected credit loss model to determine the impairment adjustment required. The Company assesses impairment of trade receivables on a collective basis as these possess shared credit risk characteristics and have been grouped based on days past due.

Non-financial assets

Assets that have an indefinite useful life, for example, goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

For the purposes of assessing impairment, assets are grouped into CGUs. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. CGUs are the smallest identifiable group of assets that generate cash flows that are independent of the cash flows of other groups of assets. The determination of CGUs was based on management's judgments in regard to the geographic location of operating divisions, product groups and shared infrastructure.

Cash and cash equivalents

Cash and cash equivalents include balances with Canadian Chartered Banks and short-term investments with original maturities of three months or less.

Inventories

Inventories of parts and supplies are measured at the lower of cost and net realizable value. The cost of inventories is measured on a first-in first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost consists of the purchase price, plus costs directly attributable to putting the asset in use and where applicable, an estimate of the costs of removing the item and site restoration.

Depreciation is calculated over the depreciable amount, which is the cost of asset less its residual value. Depreciation is not calculated for assets under construction until work is completed and the assets are available for use. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	- 25 years
Small equipment	- 5 years
Light automotive equipment	- 5 years
Computers and communication equipment	- 4 years
Heavy automotive, construction, and portable rental equipment	- 7 - 10 years
Leasehold improvements	- Straight-line over term
Right-of-use assets	- Straight-line over term

The useful lives, depreciation methods and residual values are reviewed at each reporting date for consistency with the expected pattern of economic benefits from the assets.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the consideration transferred, measured at the acquisition date in addition to the fair value of any non-controlling interest in the acquired entity. All acquisition costs are expensed as incurred. Any contingent consideration expected to be paid will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured; other contingent consideration is remeasured at fair value with changes in fair value recognized in profit or loss. When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Company's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized as a gain for the period. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is assigned to the Company's CGUs that are expected to benefit from the combination, irrespective of whether the assets and liabilities of the acquired are assigned to that (those) CGU(s). If a business unit is disposed of, goodwill disposed of is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Goodwill is tested for impairment annually or more frequently when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of each CGU to which the goodwill relates. Where the recoverable amount of the CGU (including the carrying value of the allocated goodwill) is less than the carrying value, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Customer relationships are recorded at cost and amortized on a straight line basis over their estimated life of ten years. Patents are recorded at cost and amortized on a straight line basis, from the date of issuance, over their estimated life of seven years. Software is recorded at cost and amortized on a straight line basis over their estimated life of three years.

Discontinued operations and assets held for sale

Discontinued operations are reported when a component of an entity comprising operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity is classified as held for disposal or has been disposed of, if the component either (1) represents a separate major line of business or geographical area of operations or (2) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or (3) is a subsidiary acquired exclusively with a view to resale. In the Consolidated Statements of Loss and Comprehensive Loss, gain from discontinued operations is reported separately from income and expenses from continuing operations; prior periods are presented on a comparable basis.

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction or through distribution to shareholders rather than through continuing use. For this to be the case, the asset must be available for immediate sale or distribution in its present condition subject only to terms that are usual and customary for sales or distributions of such assets and its sale or distribution must be highly probable. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

When a non-current asset no longer meets the criteria to be classified as held for sale, it is measured at the lower of its carrying amount before it was classified as held for sale, adjusted for depreciation that would have been recognized had the asset not been classified as held for sale, and its recoverable amount.

Share-based payments

The fair value of stock options and warrants are measured at the grant date using the Black-Scholes Option Pricing Model, and recognized over the vesting period. The fair value is included in the statement of loss and comprehensive loss, with a corresponding increase in contributed surplus. A forfeiture rate is estimated and is adjusted to reflect the actual number of options and warrants that vest. Consideration received on the exercise of stock options and warrants is credited to share capital and previously recorded compensation expense is transferred from contributed surplus to share capital to fully reflect the value of shares issued.

Revenue recognition

Revenue is measured based on the consideration received from a contract with a customer. Revenue from rental contracts is recognized over time when the performance obligations in the contract have been transferred to the customer and collectability is reasonably assured. Revenue from rental contracts is measured at fair value net of trade discounts. The unbilled portion for work completed at the end of a reporting period are recorded as unbilled revenues using the pre-determined price or rate for that service.

Finance income and expense

Finance income is earned at the effective interest rate. Finance expense includes interest, loan transaction costs, and adjustments on loan modifications.

Income tax

Income tax expense is comprised of current and deferred taxes. Current and deferred tax is recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income taxes for the current period, including any adjustments to the tax payable in respect of previous years, are recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the tax rates that are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using the tax rates that are expected to apply in the period in which the deferred tax asset or liability is expected to settle, based on the laws that have been enacted or substantively enacted by the reporting date. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced accordingly to the extent that it is no longer probable that they can be utilized.

Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees, share purchase warrants and convertible debentures.

Accounting standards issued but not yet applied

New standards, amendments, and interpretations issued but not adopted in the current year have not been disclosed as they are not expected to have a material impact on the consolidated financial statements.

3. Discontinued operations

On March 22, 2018, Enterprise Group, Inc., closed a transaction to divest substantially all of the assets of Calgary Tunnel & Horizontal Augering Ltd. (CTHA). Gross proceeds, including working capital, from the transaction was $20,194,992. The remaining net working capital receivable included in trade and other receivables at December 31, 2019, is $971,011 (2018 - $1,666,182). Control of collections of the remaining net work capital balance has been assigned back to the Company from the purchaser starting in the second quarter. All proceeds from the transaction will be deployed against the Company's debt.

Income from discontinued operations, including the prior period figures, is presented as a single amount in the consolidated statements of loss and comprehensive loss and excludes all intercompany transactions. This amount comprises the post-tax loss of the discontinued operations and the post-tax gain resulting from the measurement and disposal of the assets.

For the years ended December 31,	**CTHA 2019**	CTHA 2018
Revenue	**$ -**	$ 1,320,262
Direct expenses	-	(1,609,396)
Gross margin	-	(289,134)
Depreciation of property, plant and equipment	-	(145,209)
Finance expense	-	(110,113)
Other income	-	(53,876)
Loss before income tax	-	(598,332)
Income tax recovery	-	299,472
Loss from operations	-	(298,860)
Gain on sale of assets	-	3,906,537
Deferred tax expense on sale of assets	-	(1,054,011)
Gain on sale of assets, net of tax	-	2,852,526
Income from discontinued operations	**$ -**	$ 2,553,666

Cash flows from discontinued operations are as follows:

For the period ended December 31,	**CTHA 2019**	CTHA 2018
Operating	**$ 753,769**	$ 1,263,345
Financing	**$ -**	$ (15,857)
Investing	**$ -**	$ 16,799,995

4. Financial instruments and risk management

(a) Fair value of financial instruments

The carrying value of trade and other receivables, deposits and trade and other payables approximate fair value because of the near term to maturity of these instruments. The fair value of loans and borrowings is a level 2 measurement and are based on discounted future cash flows using the rates that reflect observable current market rates for similar instruments with similar terms and conditions. The estimated fair value approximates the carrying value at December 31, 2019.

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

		2019		2018
Financial assets				
Cash and cash equivalents	**$**	**969,051**	$	869,912
Trade and other receivables	**$**	**5,290,872**	$	5,523,703
Deposits	**$**	**72,554**	$	82,879
Financial liabilities				
Trade and other payables	**$**	**1,799,106**	$	1,833,821
Loans and borrowings	**$**	**13,272,886**	$	8,845,951

Financial risk management

The Company's activities expose it to a variety of financial risks such as credit risk, liquidity risk and market risk. The Board of Directors oversees management's establishment and execution of the Company's risk management framework.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk through cash and cash equivalents and trade and other receivables. The Company manages the credit risk associated with its cash and cash equivalents by holding its funds in financial institutions with high credit ratings. Credit risk for trade and other receivables are managed through established credit monitoring activities.

The Company has trade receivables from customers in the oil and gas industry, as well as customers in the utilities/infrastructure construction industry. Credit risk is mitigated due to significant customers being large industry leaders, following a program of credit evaluation and limiting the amount of customer credit where deemed necessary. The Company monitors trade receivables against an expected credit loss model to assess reasonability of impairment over accounts receivable. Individual invoices within trade receivables are written off when there is no reasonable expectation of collecting payment. Losses from trade accounts receivable have not historically been significant. The Company has recorded a provision for doubtful accounts at December 31, 2019, of $43,569 (December 31, 2018 - $24,245).

At December 31, 2019, $1,225,000 or 23% of trade receivables was from two customers compared to $2,438,000 or 44% from four customers as at December 31, 2018.

		2019		2018
Current (less than 90 days)	**$**	**4,502,472**	$	5,069,720
Past due (more than 90 days)		**788,400**		453,983
Total	**$**	**5,290,872**	$	5,523,703

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations. On an ongoing basis the Company manages liquidity risk by maintaining adequate cash and cash equivalents balances and appropriately utilizing available lines of credit. Management believes that forecasted cash flows from operating activities, along with available lines of credit, will provide sufficient cash requirements to cover the Company's forecasted normal operating activities, commitments and capital expenditures. For the year ended December 31, 2019, the Company generated 24% of revenue from two customers (2018 - 25% from one customer). No other customers comprise more than 10% of revenues.

The following are undiscounted contractual maturities of financial liabilities, including estimated interest at December 31, 2019, and December 31, 2018:

December 31, 2019	**Carrying amount**	**Contractual cash flows**	**Due within one year**	**Two-five years**	**More than five years**
Trade and other payables	$ 1,799,106	$ 1,799,106	$ 1,799,106	$ -	$ -
Loans and borrowings	13,272,886	16,185,401	10,949,514	2,570,385	2,665,502
	$ 15,071,992	**$ 17,984,507**	**$ 12,748,620**	**$ 2,570,385**	**$ 2,665,502**

December 31, 2018	Carrying amount	Contractual cash flows	Due within one year	Two-five years	More than five years
Trade and other payables	$ 1,833,821	$ 1,833,821	$ 1,833,821	$ -	$ -
Loans and borrowings	8,845,951	9,961,881	966,666	8,396,068	599,147
	$ 10,679,772	$ 11,795,702	$ 2,800,487	$ 8,396,068	$ 599,147

(d) Market risk

Market risk is the risk of changes in market prices, such as interest rates, which will affect the Company's income or the value of its financial instruments. Management has assessed the effect of a 1% interest rate increase or decrease in the prime lending rate at December 31, 2019, to impact the Company's annual interest expense by approximately $120,000 (December 31, 2018 - $84,000). The Company has not entered into any derivative agreements to mitigate this risk.

Capital management

The primary objective of capital management is to ensure the Company has sufficient capital to support its business and maximize shareholder value. The Company manages its capital in proportion to the risk of the underlying assets and makes adjustments in light of changes in economic conditions and risks. The Company's strategy remains unchanged from prior periods. Management considers its capital structure to include funded debt and adjusted capital of the Company. Adjusted capital comprises all components of equity (share capital, contributed surplus, and deficit). Included in funded debt is the bank loan facility which requires the Company to maintain certain financial covenants as defined below. The Company's objectives when managing capital are to finance its operations and growth strategies and to provide an adequate return to its shareholders. In order to maintain or adjust the capital structure, the Company may issue new shares, or sell assets to reduce debt. As at December 31, 2019, the Company has met these objectives.

	2019	2018
Bank loan	**$ -**	$ 7,186,998
Current portion of long term debt	**10,123,063**	407,875
Long term debt	**3,149,823**	1,251,078
Net funded debt	**13,272,886**	8,845,951
Shareholders' equity	**40,264,240**	45,620,520
Total capital	**$ 53,537,126**	$ 54,466,471

During the third quarter of 2019, the Company entered into the final year of its bank loan facility. As a result the outstanding balance has been reclassified to current portion of long term debt. The Company is currently discussing renewal terms with its lender and expects a new long term agreement to be secured in 2020.

Included in net funded debt is the bank loan facility which requires the Company to maintain certain financial covenants.

"Fixed Charge Coverage Ratio" - EBITDA less unfinanced capital expenditures, less taxes paid divided by fixed charges.

"Senior Leverage Ratio" - the result of the amount of Senior Funded Debt of the Company and its subsidiaries on a consolidated basis, to the trailing twelve month EBITDA for the 12 month period ended as of such date.

"EBITDA" - earnings before finance expense, taxes, depreciation and amortization, loss (gain) on disposal of property, plant and equipment, fair value adjustments, impairment losses and share-based payments.

The Company's covenants are as follows:

	December 31, 2019	**Required**	December 31, 2018	Required
Fixed charge coverage ratio	**2.33**	> 1.25	N/A	N/A
Senior leverage ratio	**5.08**	< 6.25	N/A	N/A
EBITDA	**N/A**	N/A	$742,581	> $569,080
Annual net capital expenditure (recovery)	**Waived**	< $1,125,000	$(10,318,232)	< $1,125,000

The minimum covenants are noted in the table above. The Company monitors these requirements on an ongoing basis and reports on its compliance to its lender on a monthly basis. As at December 31, 2019, the Company is in compliance with the fixed charge coverage ratio and the senior leverage ratio. The annual net capital expenditure covenant has been waived for December 31, 2019.

5. Inventories

Years ended December 31,	**2019**	2018
Inventory, parts and supplies	**$ 196,572**	$ 228,703

Inventory, parts and supplies expensed in direct expenses during the year ended December 31, 2019, was $616,202 (2018 - $773,720).

6. Property, plant and equipment

Cost	**Balance at December 31, 2018**	**Transition additions (note 2)**	**Additions**	**Disposals**	**Reclass**	**Balance at December 31, 2019**
Land	$ 4,284,210	$ -	$ 395,000	$ -	$ -	**$ 4,679,210**
Buildings	287,993	-	1,205,000	-	-	**1,492,993**
Leasehold improvements	241,889	-	3,231	-	-	**245,120**
Computers and communication equipment	382,714	-	7,700	-	-	**390,414**
Small equipment	1,852,955	-	11,989	(988,384)	-	**876,560**
Light automotive equipment	2,927,892	-	10,557	(1,228,784)	-	**1,709,665**
Heavy automotive, construction and portable rental equipment	65,022,364	-	3,490,048	(3,423,146)	608,562	**65,697,828**
Right-of-use assets	-	1,242,004	637,267	-	-	**1,879,271**
Property, plant and equipment under construction	871,334	-	329,435	(15,383)	(616,863)	**568,523**
	$ 75,871,351	**$ 1,242,004**	**$ 6,090,227**	**$ (5,655,697)**	**$ (8,301)**	**$ 77,539,584**

		Accumulated depreciation			Carrying amounts	
	Balance at December 31, 2018	Depreciation for the year	Disposals	Balance at December 31, 2019	Balance at December 31, 2018	Balance at December 31, 2019
Land	$ -	$ -	$ -	**$ -**	$ 4,284,210	**$ 4,679,210**
Buildings	31,378	9,928	-	**41,306**	256,615	**1,451,687**
Leasehold improvements	182,754	24,808	-	**207,562**	59,135	**37,558**
Computers and communication equipment	364,162	18,637	-	**382,799**	18,552	**7,615**
Small equipment	1,685,392	28,035	(988,384)	**725,043**	167,563	**151,517**
Light automotive equipment	1,876,645	179,704	(973,487)	**1,082,862**	1,051,247	**626,803**
Heavy automotive, construction and portable rental equipment	23,099,904	4,712,978	(1,800,977)	**26,011,905**	41,922,460	**39,685,923**
Right-of-use assets	-	788,934	-	**788,934**	-	**1,090,337**
Property, plant and equipment under construction	-	-	-	**-**	871,334	**568,523**
	$ 27,240,235	**$ 5,763,024**	**$ (3,762,848)**	**$ 29,240,411**	**$ 48,631,116**	**$ 48,299,173**

Cost	Balance at December 31, 2017	Additions	Disposals	Reclass	Divestiture (note 3)	Balance at December 31, 2018
Land	$ 3,725,000	$ 559,210	$ -	$ -	$ -	$ 4,284,210
Buildings	422,131	-	(3,138)	-	(131,000)	287,993
Leasehold improvements	770,647	5,089	(474,451)	-	(59,396)	241,889
Computers and communication equipment	429,183	4,001	(7,804)	-	(42,666)	382,714
Small equipment	2,411,245	22,902	-	-	(581,192)	1,852,955
Light automotive equipment	2,887,722	533,779	(11,863)	-	(481,746)	2,927,892
Heavy automotive, construction and portable rental equipment	73,496,842	6,174,158	(1,943,919)	1,942	(12,706,659)	65,022,364
Property, plant and equipment under construction	1,113,177	315,279	(104,782)	(1,942)	(450,398)	871,334
	$ 85,255,947	$ 7,614,418	$ (2,545,957)	$ -	$ (14,453,057)	$ 75,871,351

		Accumulated depreciation				Carrying amount	
	Balance at December 31, 2017	Depreciation for the year	Disposals	Divestiture (note 3)	Balance at December 31, 2018	Balance at December 31, 2017	Balance at December 31, 2018
Land	$ -	$ -	$ -	$ -	$ -	$ 3,725,000	$ 4,284,210
Buildings	28,583	9,158	(141)	(6,222)	31,378	393,548	256,615
Leasehold improvements	585,842	94,996	(453,989)	(44,095)	182,754	184,805	59,135
Computers and communication equipment	357,579	47,977	(6,248)	(35,146)	364,162	71,604	18,552
Small equipment	1,829,669	167,414	-	(311,691)	1,685,392	581,576	167,563
Light automotive equipment	1,778,386	424,597	(9,490)	(316,848)	1,876,645	1,109,336	1,051,247
Heavy automotive, construction and portable rental equipment	22,416,994	4,679,016	(767,674)	(3,228,432)	23,099,904	51,079,848	41,922,460
Property, plant and equipment under construction	-	-	-	-	-	1,113,177	871,334
	$ 26,997,053	$ 5,423,158	$ (1,237,542)	$ (3,942,434)	$ 27,240,235	$ 58,258,894	$ 48,631,116

Included in the carrying amount of $48,299,173 is $567,334 (2018 - $863,605) of heavy automotive, construction and portable rental equipment under construction and $1,189 (2018 - $7,729) of computers and equipment, which is not being depreciated as they are not yet available for use. In 2019, $35,877 of property, plant and equipment under construction was reclassed to software and classified as intangible assets.

At December 31, 2019, the Company, in accordance with its policy, made the assessment and determined there were no changes in circumstances that indicate the carrying values are not recoverable.

The carrying amounts of right-of-use assets as at December 31, 2019, were as follows:

Right-of-use assets	December 31, 2019,
Buildings and premises	$ 561,362
Small equipment	26,927
Light automotive equipment	502,048
	$ 1,090,337

Rent expense for short-term leases and leases of low-value assets expensed for the year ended December 31, 2019, was $608,087. At December 31, 2019, the Company was committed to short term leases and the total commitment at that date was $115,954.

7. Goodwill

Carrying amount of goodwill allocated to each CGU	**December 31, 2017**	**Impairment**	**December 31, 2018**	**December 31, 2019**
Artic Therm International Ltd.	$ 552,529	$(552,529)	$ -	**$ -**
Calgary Tunnelling & Horizontal Augering Ltd.	-	-	-	**-**
Hart Oilfield Rentals Ltd.	-	-	-	**-**
Westar Oilfield Rentals Inc.	1,798,000	(1,798,000)	-	**-**
	$ 2,350,529	$(2,350,529)	$ -	**$ -**

At December 31, 2018, the Company performed its annual goodwill impairment test in accordance with its policy as described in the accounting policies note. Based on the results of the test, the Company concluded that the recoverable amount of its Artic Therm International Ltd. and Westar Oilfield Rentals CGUs were less than their carrying amount which indicated goodwill was impaired. As a result of the severe decline in activity within the energy industry, triggered by the reduction in oil prices, pricing reductions for the Company's services and numerous project delays due to economic uncertainty in Western Canada, the Company recognized an impairment of $2,350,529 at December 31, 2018.

Management believes that the methodology used to test impairment of goodwill, which involves a significant number of judgments and estimates, provides a reasonable basis for determining whether an impairment has occurred. Many of the factors used in determining whether or not goodwill is impaired are outside management’s control and involve inherent uncertainty. Therefore, actual results could differ from those estimated. In performing the goodwill impairment test, the Company compared the recoverable amount of its CGUs to their respective carrying amounts. If the carrying amount of a CGU is higher than its recoverable amount, an impairment charge is recorded as a reduction in the carrying amount of the goodwill on the consolidated statements of financial position and recognized as a non-cash impairment charge in income.

The Company estimated the recoverable amount by using the value-in-use approach. It estimated fair value using market information and discounted after-tax cash flow projections, which is known as the income approach. The income approach used a CGU’s projection of estimated operating results and discounted cash flows based on a discount rate that reflects current market conditions. The Company used cash flow projections from financial forecasts covering a five-year period. For its December 31, 2018 impairment test, the Company discounted its CGUs' cash flows using after-tax discount rates. The implied pre-tax discount rates are as follows: Artic Therm International Ltd. 40.6%; Hart Oilfield Rentals Ltd. 37.3%; and Westar Oilfield Rentals Inc. 35.5%. To arrive at cash flow projections, the Company used estimates of economic and market information over the projection period. Goodwill impairment charges are non-cash charges that could have a material adverse effect on the Company’s consolidated financial statements but in themselves do not have any adverse effect on its liquidity, cash flows from operating activities, or debt covenants and will not have an impact on its future operations.

8. Intangible assets

Cost		Balance at December 31, 2018		Additions	Balance at December 31, 2019
Software	$	221,715	$	35,887	**$ 257,602**
	$	**221,715**	**$**	**35,887**	**$ 257,602**

Amortization	Balance at December 31, 2018	Amortization for the year	Accumulated amortization Balance at December 31, 2019	Carrying amounts Balance at December 31, 2018	Balance at December 31, 2019
Software	$ 80,064	$ 83,678	$ 163,742	$141,651	**$ 93,860**
	$ 80,064	**$ 83,678**	**$ 163,742**	**$141,651**	**$ 93,860**

Cost	Balance at December 31, 2017	Additions	Impairment	Divestiture (note 3)	Balance at December 31, 2018
Patent	$ 336,787	$ -	$ (336,787)	$ -	$ -
Software	221,715	-	-	-	221,715
Customer relationships	3,327,638	-	(2,666,638)	(661,000)	-
	$ 3,886,140	$ -	$ (3,003,425)	$ (661,000)	$ 221,715

Amortization	Balance at December 31, 2017	Amortization for the year	Impairment	Divestiture (note 3)	Accumulated amortization Balance at December 31, 2018	Carrying amounts Balance at December 31, 2017	Balance at December 31, 2018
Patent	$ 230,943	$ 32,823	$ (263,766)	$ -	$ -	$ 105,844	$ -
Software	6,160	73,904	-	-	80,064	215,555	141,651
Customer relationships	1,597,224	266,664	(1,202,889)	(661,000)	-	1,730,414	-
	$ 1,834,327	$ 373,391	$(1,466,655)	$ (661,000)	$ 80,064	$ 2,051,813	$ 141,651

At December 31, 2019, the Company, in accordance with its policy, made the assessment and determined there were no changes in circumstances that indicate the carrying values are not recoverable. An impairment of $1,536,771 was in made in the Company's intangible assets at December 31, 2018. The calculation of value in use was based on the same key assumptions utilized in the impairment analysis per the Goodwill note.

9. Income tax

(a) Components of income tax expense are:

Years ended December 31,	**2019**	2018
Current tax expense	**$ 116,226**	$ -
Changes in estimates related to prior years	**(197,362)**	539
Current tax (recovery) expense	**(81,136)**	539
Deferred tax (recovery)		
Origination and reversal of temporary differences	**(1,458,580)**	(2,719,168)
Change in tax rates and rate differences	**328,679**	-
Change in unrecognized temporary differences	**1,129,901**	962,545
Income tax recovery from continuing operations	**$ (81,136)**	$ (1,756,084)

The prior year tax expense on continuing operations excludes the tax recovery from the discontinued operations of $299,472 and the tax expense on the gain on sale of discontinued operations of $1,054,011. Both of these have been included in loss from discontinued operations, net of tax (see note 3). The overall net deferred tax expense related to discontinued operations for the year ended December 31, 2018 was $1,054,011. These amounts are included in the income from discontinued operations, net of tax (see note 3).

The prior year $387,854 adjustment from the adoption of IFRS 9 is net of deferred taxes of $143,400 (total adjustment of $531,254 before tax) and been included in the adjustment in the consolidated statement of changes in equity.

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to income before tax. These differences result from the following:

Years ended December 31,	**2019**	2018
Income before tax from continuing operations	**$ (5,116,841)**	$ (10,122,253)
Statutory income tax rate	**26.46 %**	27.00 %
Expected income tax recovery	**(1,353,879)**	(2,733,008)
Non-deductible items	**11,526**	14,172
Change in unrecognized temporary differences	**1,129,901**	962,545
Change in tax rates and rate differences	**328,679**	-
Other	**-**	(332)
Changes in estimates related to prior years	**(197,363)**	539
Income tax recovery	**$ (81,136)**	$ (1,756,084)

(b) Recognized deferred tax assets and liabilities

	2019	2018
Deferred tax assets are attributable to the following:		
Intangibles	**$ 797,836**	$ 1,027,360
Loan fair value adjustment	**7,843**	21,484
Finance fees	**31,881**	43,376
Finance lease obligation	**325,315**	165,246
Share issue costs	**-**	48,584
Investment tax credits	**-**	39,996
Non-capital losses	**6,976,739**	8,513,272
Deferred tax assets		
Offset by deferred tax liabilities below	**(5,301,365)**	(6,030,611)
Net deferred tax assets	**$ 2,838,249**	$ 3,828,707
Deferred tax liabilities are attributable to the following:		
Property, plant and equipment	**$ (8,010,815)**	$ (9,498,068)
Intangibles	**(5,111)**	-
Unbilled revenue	**(123,688)**	(361,250)
Deferred tax liabilities		
Offset by deferred tax assets above	**5,301,365**	6,030,611
Net deferred tax liabilities	**$ (2,838,249)**	$ (3,828,707)

(c) Recognized deferred tax assets and liabilities

The non-capital loss carryforwards expire between 2028 and 2039. Deferred tax assets have not been recognized in respect of the following items because it is not probable that future taxable profit will be available against which the Company and its subsidiaries can utilize the benefits.

	2019	2018
Deductible temporary differences	**$ 1,197,553**	$ 1,197,553
Loss carryforward	**5,187,091**	1,226,452
Total items for which no deferred tax asset has been recognized	**$ 6,384,644**	$ 2,424,005

10. Loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost.

Years ended December 31,	**2019**	2018
Current portion of loans and borrowings		
Bank loan facility	**$ 9,394,228**	$ -
Current portion of lease liabilities	**601,417**	315,778
Current portion of mortgage facilities	**127,418**	92,097
Total current portion of loans and borrowings	**10,123,063**	407,875
Non-current portion of loans and borrowings		
Bank loan facility	**-**	7,186,998
Lease liabilities	**786,967**	296,244
Mortgage facilities	**2,362,856**	954,834
Total non-current portion loans and borrowings	**3,149,823**	8,438,076
Total loans and borrowings	**$ 13,272,886**	$ 8,845,951

(a) Bank loan facility

The Company has drawn $9,483,776 as at December 31, 2019, on a bank loan facility used to fund day to day operations of the Company's subsidiaries. Interest is charged on a monthly basis based on the average balance in a month. The carrying value of the debt is less transaction costs of $123,648 plus a remaining loan modification adjustment of $34,100 at December 31 2019, (2018 - $7,310,668 less transaction costs of $203,240 with a loan modification of $79,570) and the effective interest rate was 7.41% (2018 – 6.16%). The facility is secured by a first charge on all the Company's assets except those secured with other lenders as disclosed below. The maximum available lending limit is $25,000,000 (December 31, 2018 - $25,000,000).

During the third quarter of 2019, the Company entered into the final year of its bank loan facility. As a result the outstanding balance has been reclassified to current portion of long term debt. The Company is currently discussing renewal terms with its lender and expects a new long term agreement to be secured in 2020.

Effective December 28, 2018, the Company amended the terms of the covenants to its bank loan facility. The covenants on the loan were amended to remove the fixed charge coverage ratio and senior leverage ratio requirements. This covenant was amended in favour of a minimum EBITDA requirement for specified periods. For the fiscal quarter ending December 31, 2018, the minimum EBITDA required was $569,080. For the fiscal quarter ending March 31, 2019, the minimum EBITDA required was $1,206,507. As of June 30, 2019, the minimum EBITDA covenant was removed and the fixed charge coverage ratio and senior leverage ratio covenants were re-instated.

On March 22, 2018, the Company divested substantially all of the assets of CTHA which resulted in a modification in future cash flows of the bank loan facility. As a result, the Company decreased the loan modification adjustment by $373,888 through the statement of loss and comprehensive loss as at the time of the sale.

Overall, the Company decreased the loan modification adjustment by $45,469 (2018 - $451,684) recognized through the statement of loss and comprehensive loss during the year ended December 31, 2018 (note 10(d)).

(b) Lease liabilities

The Company has outstanding lease liabilities of $1,388,384 as at December 31, 2019, (2018 - $612,022). The leases bear interest from 2.99% - 11.84%, have aggregate monthly payments of $58,291 (2018 - $29,437) and mature at various times over the next 1 - 5 years. The leases are secured by specific equipment with a net book value of $1,841,457 (2018 - $968,647) of which $599,261 (2018 - $nil) pertains to premise leases, $803,886 (2018 - $506,375) pertains to light automotive equipment, $451,383 (2018 - $462,272) pertains to heavy automotive, construction and portable rental equipment, and $26,927 pertains to small equipment (2018 - $nil).

	Totals	**Due within one year**	**Two-five years**	**More than five years**
Present value of minimum lease payments	$1,388,384	$ 601,417	$786,967	$ -
Interest	223,173	98,076	125,097	-
Future minimum lease payments	$1,611,557	$ 699,493	$912,064	$ -

(c) Mortgage facilities

The Company has outstanding demand mortgage facilities in the amount of $2,490,274 as at December 31, 2019 (2018 - $1,046,931). The loans are repayable at various times over the next 180 to 300 months and bear interest at prime plus 1.25% with monthly aggregate blended monthly payments of $20,864. The mortgages are secured by promissory notes, first charge on the property and buildings and corporate guarantees. The facilities are secured by land and building with a carrying value of $5,884,210 (2018 - $3,725,000). The lender has waived the demand provision for the next 365 days after year end provided there are no events of default.

(d) Finance expense

Interest expense was incurred during the year from the following sources:

	Year ended December 31, 2019	Year ended December 31, 2018
Interest on long term debt	**$ 684,395**	$ 742,570
Interest on leases	**97,071**	41,441
Amortization of debt modification adjustment	**(45,469)**	(77,796)
Revision of future cash flows from sale of CTHA	**-**	(373,888)
Amortization of prepaid transaction costs	**154,141**	104,930
Finance expense	**$ 890,138**	$ 437,257

Revisions due to contract modifications are recorded through finance expense as per the Company's accounting policy.

2018 was the first year of the application of IFRS 9 and as such the initial adjustment of $387,854 ($531,254 less tax of $143,200) to the bank loan facility was made through opening deficit.

11. Share capital

Authorized:

Unlimited Common shares
Unlimited Preferred shares, issuable in series, terms to be set at issuance

Normal course issuer bid

During the fiscal period ended December 31, 2019, the Company repurchased and cancelled a total of 4,171,500 shares at a cost of $720,529 (2018 - 370,500 shares at a cost of $170,901). The shares were purchased in the open market in accordance with the normal course issuer bid approved by the TSX. The Company renewed its bid on August 23, 2019, with a termination date of August 22, 2020, or such earlier time as the bid is completed or terminated at the option of the Company.

12. Share-based payments

(a) Stock option program (equity-settled)

The Company has a stock option plan to purchase common shares over a period ranging from one to five years from the date the option is granted at prices approximating market prices on the day prior to the date of grant.

Outstanding stock options December 31, 2019	**Number**	**Weighted average exercise price**	**Weighted average remaining contractual life (months)**
Stock options, beginning of year	4,835,000	$ 0.34	6
Expired	(4,835,000)	$ (0.34)	-
Issued	5,500,000	$ 0.18	26
Stock options, December 31, 2019	**5,500,000**	**$ 0.18**	26
Exercisable stock options, December 31, 2019	**5,500,000**	**$ 0.18**	26

Outstanding stock options December 31, 2018	Number	Weighted average exercise price	Weighted average remaining contractual life (months)
Stock options, beginning of year	4,835,000	$ 0.34	18
Stock options, end of year	4,835,000	$ 0.34	6
Exercisable stock options, December 31, 2018	4,835,000	$ 0.34	6

On July 2, 2019, the Company issued 4,535,000 options to Directors, Officers and employees of the Company. The weighted average fair value of the options granted was $0.077 estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	2019
Fair value at grant date	0.077
Share price	$0.18
Exercise price	$0.18
Expected term	36 months
Risk-free interest	1.47%
Expected dividends	nil
Volatility	63%

On May 10, 2019, the Company issued 965,000 options to Directors, Officers and employees of the Company. The weighted average fair value of the options granted was $0.0526 estimated using the Black-Scholes Option Pricing Model.

	2019
Fair value at grant date	0.0526
Share price	$0.19
Exercise price	$0.18
Expected term	12 months
Risk-free interest	1.73%
Expected dividends	nil
Volatility	64%

The Company recorded share-based compensation of $399,954 for the year ended December 31, 2019, as the options vested immediately.

(b) Share purchase warrants

	2019			2018		
	Number	**Weighted average exercise price**	**Value**	Number	Weighted average exercise price	Value
Warrants outstanding, beginning of year	-	$ -	$ -	6,183,500	$ 0.50	$ 701,210
Private placement warrants expired	-	$ -	-	(6,183,500)	$ 0.50	(701,210)
Warrants outstanding, end of year	**-**	**$ -**	**$ -**	-	$ 0.50	$ -

On October 1, 2018, the remaining 6,183,500 warrants expired unexercised.

13. Loss per share

The earnings available to common shareholders and weighted average number of common shares outstanding for comparative basic and diluted earnings per share are:

	2019	2018
Weighted average common shares outstanding - basic	**54,269,996**	55,259,974
Loss from continuing operations	**$(5,035,705)**	$(8,366,169)
Basic and diluted loss per share from continuing operations	**$(0.09)**	$(0.15)
Net income from discontinued operations	**-**	2,553,666
Basic and diluted earnings per share from discontinued operations	**$ 0.00**	$ 0.04
Net income and comprehensive loss	**(5,035,705)**	(5,812,503)
Basic and diluted loss per share from comprehensive income	**$(0.09)**	$(0.11)

14. Related party transactions

The Company has entered into various transactions in the normal course of business with corporations controlled by officers and directors of the Company. These transactions were recorded at the exchange amount established and agreed to by the parties. Management and consulting fees were paid to a companies controlled by Leonard Jaroszuk, President and Chief Executive Officer, and Desmond O'Kell, Senior Vice President and Director, as compensation for serving their roles as officers for the Company. Equipment rental fees were paid to a company controlled by Leonard Jaroszuk, President and Chief Executive Officer, and Desmond O'Kell, Senior Vice President and Director, to rent equipment required for operating activities.

Years ended December 31,	**2019**	2018
Management and consulting fees	**$ 926,146**	$ 1,040,909
Equipment rental	**-**	125,000
	$ 926,146	$ 1,165,909
Purchase of equipment	**$ -**	$ 751,838

In addition, in the first quarter of 2018, a success fee of $600,000, associated with the CTHA transaction as described in note 3, was paid to companies controlled by Leonard Jaroszuk, President and Chief Executive Officer, Desmond O'Kell, Senior Vice President and Director, and Warren Cabral, Chief Financial Officer. These transactions were recorded at the exchange amount established and agreed to by the parties.

Key management compensation

Years ended December 31,	2019	2018
Salaries and directors' fees	**$619,344**	$594,366
Share based payments	**382,469**	-
	$1,001,813	$594,366

Key management compensation includes payments made to individual officers and directors for serving the Company in their respective roles.

15. Supplemental cash flow information

Years ended December 31,	2019	2018
(a) Changes in non-cash working capital:		
Trade and other receivables	**$ 232,831**	$ 5,969,744
Income taxes recoverable	**-**	266,137
Unbilled revenue	**304,403**	(204,450)
Inventories	**32,131**	1,060,805
Deposits and prepaid expenses	**(2,127)**	95,687
Trade and other payables	**(34,713)**	(693,545)
Income taxes payable	**116,227**	-
	$ 648,752	$ 6,494,378
(b) Other non-cash transactions:		
Right-of-use assets and liabilities added on January 1, 2019 transition	**$ 1,242,004**	$ -
Equipment purchased under finance leases	**$ 637,267**	$ 533,779

(c) Cash taxes paid

Cash taxes received for the year ended December 31, 2019, was $197,362 (2018 - $265,598).

16. Comparative numbers

During the year, management reviewed and reclassified certain amounts on the statement of income and comprehensive income. As such, the comparative figures have been restated to reflect the basis of presentation adopted in the current period. The result was $14,461 in costs reclassified to direct expenses.