ENTERPRISE GROUP, INC.

Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three and nine months ended September 30, 2019 and 2018

National Instrument 51-102
Continuous Disclosure Obligations
Notice

Pursuant to Part 4.3 (3) of National Instrument 51-102, these unaudited condensed interim consolidated financial statements of Enterprise Group, Inc. for the three and nine months ended September 30, 2019, have not been reviewed by the Company's external auditors.

Condensed Interim Consolidated Statements of Financial Position

		September 30, 2019 (unaudited)		December 31, 2018 (audited)
Assets				
Cash and cash equivalents (note 4)	**$**	**765,507**	$	869,912
Trade and other receivables (note 4)		**4,278,048**		5,523,703
Unbilled revenue		**353,386**		724,794
Inventories		**206,935**		228,703
Deposits and prepaid expenses		**269,618**		180,413
		5,873,494		7,527,525
Property, plant and equipment (note 5)		**48,781,281**		48,631,116
Intangible assets		**117,164**		141,651
Deferred tax assets		**3,607,043**		3,828,707
		52,505,488		52,601,474
Total assets	**$**	**58,378,982**	$	60,128,999
Liabilities				
Trade and other payables (note 4)	**$**	**2,366,760**	$	1,833,821
Current portion of loans and borrowings (note 7)		**8,588,338**		407,875
		10,955,098		2,241,696
Long term portion of loans and borrowings (note 7)				
Bank loan facility		**-**		7,186,998
Leases		**861,657**		296,244
Mortgages		**1,228,796**		954,834
Deferred tax liabilities		**3,607,043**		3,828,707
Total liabilities		**16,652,594**		14,508,479
Equity				
Share capital (note 8)		**75,364,341**		79,204,845
Contributed surplus		**10,884,034**		7,099,031
Deficit		**(44,521,987)**		(40,683,356)
Total equity		**41,726,388**		45,620,520
Total equity and liabilities	**$**	**58,378,982**	$	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 unaudited condensed interim consolidated financial statements

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

	Three months September 30, 2019	Three months September 30, 2018 (restated note 3)	Nine months September 30, 2019	Nine months September 30, 2018 (restated note 3)
Revenue	**$ 3,830,847**	$ 4,846,989	**$ 14,172,541**	$ 14,897,845
Direct expenses	**(3,478,804)**	(4,262,954)	**(10,684,228)**	(13,498,176)
Gross margin	**352,043**	584,035	**3,488,313**	1,399,669
General and administrative expenses	**(535,231)**	(550,871)	**(1,641,078)**	(2,060,662)
Depreciation of property, plant and equipment	**(1,491,543)**	(1,304,108)	**(4,462,685)**	(3,850,188)
Share-based payments (note 9)	**(349,195)**	-	**(399,954)**	-
Amortization of intangible assets	**(22,266)**	(93,348)	**(60,374)**	(280,043)
Gain (loss) on sale of property, plant and equipment	**(45,477)**	15,257	**(129,600)**	(140,453)
Loss before financing and income tax	**(2,091,669)**	(1,349,035)	**(3,205,378)**	(4,931,677)
Finance expense (note 7)	**(205,885)**	(172,668)	**(633,253)**	(219,783)
Loss before income tax	**(2,297,554)**	(1,521,703)	**(3,838,631)**	(5,151,460)
Income tax recovery (note 6)	**-**	444,466	**-**	1,426,456
Net loss from continuing operations	**(2,297,554)**	(1,077,237)	**(3,838,631)**	(3,725,004)
(Loss) gain from discontinued operations, net of tax (note 3)	**-**	(22,983)	**-**	2,480,290
Net loss and comprehensive loss	**$ (2,297,554)**	$ (1,100,220)	**$ (3,838,631)**	$ (1,244,714)
Net loss per share (note 10)				
Basic and diluted loss per share	**$ (0.04)**	$ (0.02)	**$ (0.07)**	$ (0.02)

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

	Nine months September 30, 2019	Nine months September 30, 2018
Cash flows from operating activities:		
Net loss	**$ (3,838,631)**	$ (1,244,714)
Adjustments for:		
Depreciation of property, plant and equipment	**4,462,685**	3,995,397
Amortization of intangible assets	**60,374**	280,043
Loss (gain) on sale of property, plant and equipment	**114,474**	(6,153,921)
Share-based payments	**399,954**	-
Deferred income tax recovery	**-**	(540,522)
Finance expense	**633,253**	329,896
Change in non-cash working capital (note 12)	**2,082,565**	5,858,198
Net cash provided by operating activities	**3,914,674**	2,524,377
Cash flows from financing activities:		
Net proceeds (repayment) from bank loan facility	**664,227**	(14,138,676)
Proceeds from mortgage facility	**363,090**	-
Interest and borrowing costs paid on loans and borrowings	**(640,026)**	(806,385)
Repayment of lease liabilities	**(903,676)**	(321,174)
Repayment of mortgage facility	**(67,277)**	(65,974)
Share buyback and cancellation	**(455,456)**	(170,901)
Net cash used by financing activities	**(1,039,118)**	(15,503,110)
Cash flows from investing activities:		
Purchase of intangible assets	**(35,887)**	-
Purchase of property, plant and equipment	**(3,357,164)**	(5,283,535)
Proceeds on sale of property, plant and equipment	**413,090**	17,517,385
Net cash (used) provided by investing activities	**(2,979,961)**	12,233,850
Change in cash and cash equivalents	**(104,405)**	(744,883)
Cash and cash equivalents, beginning of period	**869,912**	1,291,785
Cash and cash equivalents, end of period	**$ 765,507**	$ 546,902

Net cashflows attributed to discontinued operations (note 3)

	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	-	-	-	-	(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 8)	(370,500)	(532,127)	-	361,226	-	(170,901)
Net loss	-	-	-	-	(1,244,714)	(1,244,714)
Balance as at September 30, 2018	55,147,374	$79,204,845	$ 701,210	$7,099,031	$(36,816,777)	$50,188,309

	Number of common shares	Share capital	Warrants	Contributed surplus	Deficit	Total
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 8)	(2,674,000)	(3,840,504)	-	3,385,049	-	(455,455)
Share-based payments (note 9)	-	-	-	399,954	-	399,954
Net loss	-	-	-	-	(3,838,631)	(3,838,631)
Balance as at September 30, 2019	**52,473,374**	**$75,364,341**	**$ -**	**$10,884,034**	**$(44,521,987)**	**$41,726,388**

The accompanying notes are an integral part of these unaudited condensed interim 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 September 30, 2019, and December 31, 2018, are comprised of the Company and its wholly owned subsidiaries. The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 6, 2019.

2. Significant accounting policies

The unaudited condensed interim consolidated financial statements are prepared by management and reported in Canadian dollars, in accordance with International Accounting Standard "IAS" 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's 2018 Audited Consolidated Financial Statements and the notes thereto.

The unaudited condensed interim consolidated financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in the Company's Audited Consolidated Financial Statements for the fiscal year ended December 31, 2018.

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 'Financial Instruments: Recognition and Measurement', 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 liabilitiesn 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 retrospectively and without restatement upon initial application. 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 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

Critical accounting judgements 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

Under IFRS 16, management uses judgement to determine if contracts contain a lease. To make the assessment, management evaluates if the contract identifies a specific asset, the Company has the right to obtain substantially all the economic benefits from use, and if the Company has the right to direct the use of the asset.

Management uses judgement in determining the effective term for contracts where an extension or termination clause exists. Management considers historical behaviour, forecasting, and future strategy when considering what a reasonable outcome is.

Prior to the adoption of IFRS 16, management used judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards of ownership. Management evaluated the lease terms and in some cases the lease transaction is not always conclusive in its classification as a finance lease.

Management used judgement in determining whether modifications to a lease impacted its classification as a finance lease, and impacted the original financial liability. The specific details of the changes determined if they should be recognized immediately in the statement of loss and comprehensive loss or as part of the leased assets.

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

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 September 30, 2019, is $1,039,392. Control of collections of the remaining net work capital balance has been assigned back to the Company 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, are 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 income of the discontinued operations and the post-tax gain (loss) resulting from the measurement and disposal of the assets.

For the three months ended September 30	**CTHA 2019**	CTHA 2018
Revenue	**$ -**	$ -
Direct expenses	-	(31,483)
Gross margin	-	(31,483)
Other income	-	-
Loss before income tax	-	(31,483)
Income tax recovery	-	8,500
Loss from operations	-	(22,983)
Loss on sale of assets	-	-
Deferred tax recovery on sale of assets	-	-
Loss on sale of assets, net of tax	-	-
Loss from discontinued operations	**$ -**	$ (22,983)

For the period ended September 30	**CTHA 2019**	CTHA 2018
Revenue	**$ -**	$ 1,320,262
Direct expenses	-	(2,187,566)
Gross margin	-	(867,304)
Depreciation of property, plant and equipment	-	(145,209)
Finance expense	-	(110,113)
Other income	-	13,235
Loss before income tax	-	(1,109,391)
Income tax recovery	-	299,535
Loss from operations	-	(809,856)
Gain on sale of assets	-	4,507,049
Deferred tax expense on sale of assets	-	(1,216,903)
Gain on sale of assets, net of tax	-	3,290,146
Income from discontinued operations	**$ -**	$ 2,480,290

Cash flows from discontinued operations are as follows:

For the period ended September 30	**CTHA 2019**	CTHA 2018
Operating	**$ 341,960**	$ (134,132)
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 September 30, 2019.

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

	September 30, 2019	December 31, 2018
Financial assets		
Cash and cash equivalents	**$ 765,507**	$ 869,912
Trade and other receivables	**$ 4,278,048**	$ 5,523,703
Deposits	**$ 72,554**	$ 82,879
Financial liabilities		
Trade and other payables	**$ 2,366,760**	$ 1,833,821
Loans and borrowings	**$ 10,678,791**	$ 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 September 30, 2019, of $nil (December 31, 2018 - $24,245).

At September 30, 2019, $1,138,000 or 27% of trade receivables was from three customers compared to $2,438,000 or 44% from four customers as at December 31, 2018.

	September 30, 2019	December 31, 2018
Current (less than 90 days)	**$ 3,775,515**	$ 5,069,720
Past due (more than 90 days)	**502,533**	453,983
Total	**$ 4,278,048**	$ 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 three months ended September 30, 2019, the Company generated 27% of revenue from two customers (2018 - 40% from two customers). For the nine months ended September 30, 2019, the Company generated 23% of revenue from three customers (2018 - 30% 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 September 30, 2019, and December 31, 2018:

September 30, 2019	**Carrying amount**	**Contractual cash flows**	**Due within one year**	**Two-five years**	**More than five years**
Trade and other payables	$ 2,366,760	$ 2,366,760	$ 2,366,760	$ -	$ -
Loans and borrowings	10,678,791	11,728,798	8,963,441	1,653,336	1,112,021
Operating lease commitments	-	-	-	-	-
	$ 13,045,551	**$ 14,095,558**	**$ 11,330,201**	**$ 1,653,336**	**$ 1,112,021**

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
Operating lease commitments	-	1,324,542	750,804	572,631	1,107
	$ 10,679,772	$ 13,120,244	$ 3,551,291	$ 8,968,699	$ 600,254

Rent expense for short-term leases and leases of low-value assets expensed for the nine months ended September 30, 2019 was $280,659.

(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 September 30, 2019, to impact the Company's annual interest expense by approximately $93,000 (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, warrants 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 September 30, 2019, the Company has met these objectives.

	September 30, 2019	December 31, 2018
Bank loan	**$ -**	$ 7,186,998
Current portion of long term debt	**8,588,338**	407,875
Long term debt	**2,090,453**	1,251,078
Net funded debt	**10,678,791**	8,845,951
Shareholders' equity	**41,726,388**	45,620,520
Total capital	**$ 52,405,179**	$ 54,466,471

During the quarter, the Company entered into the final year of its bank loan facilty. As a resullt 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:

	September 30, 2019	**Required**	December 31, 2018	Required
Fixed charge coverage ratio	**1.90**	> 1.25	N/A	N/A
Senior leverage ratio	**4.31**	< 6.25	N/A	N/A
EBITDA	**N/A**	N/A	$742,581	> $569,080
Annual net capital expenditure (recovery)	**N/A**	< $1,125,000	$(10,318,232)	< $1,125,000

As per the bank loan facility amendment agreement dated December 28, 2018, the fixed charge ratio and the senior leverage ratio covenants were re-instated and the EBITDA covenant was removed at June 30, 2019. All other terms and conditions of the facility remain unchanged.

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 September 30, 2019, the Company is in compliance with all covenants.

Fair value determination

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

5. Property, plant and equipment

Cost or deemed cost	**Balance at December 31, 2018**	**Transition additions (note 2)**	**Additions**	**Disposals**	**Reclassified**	**Balance at September 30, 2019**
Land	$ 4,284,210	$ -	$ -	$ -	$ -	**$ 4,284,210**
Buildings	287,993	-	-	-	-	**287,993**
Leasehold improvements	241,889	-	3,231	-	-	**245,120**
Computers and communication equipment	382,714	-	5,198	-	-	**387,912**
Small equipment	1,852,955	-	10,880	(988,384)	-	**875,451**
Light automotive equipment	2,927,892	-	6,555	(1,039,717)	-	**1,894,730**
Heavy automotive, construction and portable rental equipment	65,022,364	-	3,108,232	(581,405)	470,209	**68,019,400**
Right-of-use assets	-	1,242,004	541,245	-	-	**1,783,249**
Property, plant and equipment under construction	871,334	-	231,369	(2,814)	(478,511)	**621,378**
	$ 75,871,351	**$ 1,242,004**	**$ 3,906,710**	**$ (2,612,320)**	**$ (8,302)**	**$ 78,399,443**

	Accumulated depreciation					Carrying amounts	
	Balance at December 31, 2018	Depreciation for the year	Disposals	Reclass	Balance at September 30, 2019	Balance at December 31, 2018	Balance at September 30, 2019
Land	$ -	$ -	$ -	$ -	**$ -**	$ 4,284,210	**$ 4,284,210**
Buildings	31,378	6,693	-	-	**38,071**	256,615	**249,922**
Leasehold improvements	182,754	22,530	-	-	**205,284**	59,135	**39,836**
Computers and communication equipment	364,162	15,421	-	-	**379,583**	18,552	**8,329**
Small equipment	1,685,392	22,887	(988,384)	-	**719,895**	167,563	**155,556**
Light automotive equipment	1,876,645	152,610	(822,234)	-	**1,207,021**	1,051,247	**687,709**
Heavy automotive, construction and portable rental equipment	23,099,904	3,544,830	(274,139)	-	**26,370,595**	41,922,460	**41,648,805**
Right-of-use assets		697,713	-	-	**697,713**		**1,085,536**
Property, plant and equipment under construction	-	-	-	-	**-**	871,334	**621,378**
	$ 27,240,235	**$ 4,462,684**	**$ (2,084,757)**	**$ -**	**$ 29,618,162**	**$ 48,631,116**	**$ 48,781,281**

Included in the carrying amount of $48,781,281 is $620,189 (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, a portion of property, plant and equipment under construction was reclassed to software under intangibles.

The carrying amounts of right-of-use assets as at September 30, 2019, were as follows:

Right-of-use assets	**September 30, 2019**
Buildings and premises	$ 575,157
Small equipment	28,554
Light automotive equipment	481,825
	$ 1,085,536

6. Income tax

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:

Nine months ended September 30,	**2019**	2018
Income before tax from continuing operations	**$ (3,838,631)**	$ (5,151,460)
Statutory income tax rate	**27.00 %**	27.00 %
Expected income tax recovery	**(1,036,430)**	(1,390,894)
Non-deductible items	**8,711**	-
Change in unrecognized temporary differences	**1,032,800**	-
Other	**(5,081)**	(35,562)
Income tax expense	**$ -**	$ (1,426,456)

7. 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.

	September 30, 2019	December 31, 2018
Current portion of loans and borrowings		
Bank loan facility	**$ 7,855,498**	$ -
Current portion of lease liabilities	**629,938**	315,778
Current portion of mortgage facilities	**102,902**	92,097
Total current portion of loans and borrowings	**8,588,338**	407,875
Non-current portion of loans and borrowings		
Bank loan facility	**-**	7,186,998
Lease liabilities	**861,657**	296,244
Mortgage facilities	**1,228,796**	954,834
Total non-current portion loans and borrowings	**2,090,453**	8,438,076
Total loans and borrowings	**$ 10,678,791**	$ 8,845,951

(a) Bank loan facility

The Company has drawn $7,974,895 as at September 30, 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 $164,865 plus a remaining loan modification adjustment of $45,469 at September 30, 2019, (2018 - $20,620,301 less transaction costs of $196,102) and the effective interest rate was 6.16% (2018 – 5.69%). The facility is secured by a first charge on all the Company's assets except those secured with other lenders as disclosed below

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

(b) Lease liabilities

	Totals	**Due within one year**	**Two-five years**	**More than five years**
Present value of minimum lease payments	$1,491,683	$ 56,976	$1,434,707	$ -
Interest	214,122	74,688	139,434	-
Future minimum lease payments	$1,705,805	$ 131,664	$1,574,141	$ -

(c) Finance expense

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

	Three months September 30, 2019	Three months September 30, 2018	**Nine months September 30, 2019**	Nine months September 30, 2018
Interest on long term debt	**$ 153,679**	$ 149,137	**$ 479,900**	$ 563,403
Interest on leases	**24,762**	5,864	**74,530**	20,801
Amortization of debt modification adjustment	**(11,367)**	(11,367)	**(34,102)**	(66,429)
Revision of future cash flows from sale of CTHA	**-**	-	**-**	(373,888)
Amortization of prepaid transaction costs	**38,811**	29,034	**112,925**	75,896
Finance expense	**$ 205,885**	$ 172,668	**$ 633,253**	$ 219,783

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 $531,254 to the bank loan facility was made through opening deficit of $531,254.

8. 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 September 30, 2019, the Company repurchased and cancelled a total of 2,674,000 shares at a cost of $459,068. 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.

9. Share-based payments

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 September 30, 2019	**Number**	**Weighted average exercise price**	**Weighted average remaining contractual life (months)**
Stock options, beginning of year	4,835,000	$ 0.34	-
Expired	(4,835,000)	$ (0.34)	-
Issued	5,500,000	$ 0.18	29
Stock options, September 30, 2019	**5,500,000**	**$ 0.18**	29
Exercisable stock options, September 30, 2019	**5,500,000**	**$ 0.18**	29

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, September 30, 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.

The company recorded share-based compensation of $349,195 and $399,954 for the three months and nine months ended September 30, 2019 respectively, as the options vested immediately.

10. Earnings 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:

	Three months September 30, 2019	Three months September 30, 2018 (restated-note 3)	**Nine months September 30, 2019**	Nine months September 30, 2018 (restated-note 3)
Weighted average common shares outstanding - basic	**54,730,643**	55,167,591	**54,891,778**	55,297,920
Loss from continuing operations	**$(2,297,554)**	$(1,077,237)	**$(3,838,631)**	$(3,725,004)
Basic and diluted loss per share from continuing operations	**$(0.04)**	$(0.02)	**$(0.07)**	$(0.07)
Net (loss) income from discontinued operations	**-**	(22,983)	**-**	2,480,290
Basic and diluted (loss) earnings per share from discontinued operations	**$ 0.00**	$ 0.00	**$ 0.00**	$ 0.04
Net income and comprehensive loss	**(2,297,554)**	(1,100,220)	**(3,838,631)**	(1,244,714)
Basic and diluted loss per share from comprehensive income	**$(0.04)**	$(0.02)	**$(0.07)**	$(0.02)

11. 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 company controlled by Leonard Jaroszuk, President and Chief Executive Officer, as compensation for serving their role as officer 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.

Nine months ended September 30,		**2019**		2018
Management and consulting fees	**$**	**740,964**	$	872,574
Equipment rental		**-**		112,500
	$	**740,964**	$	985,074

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.

12. Supplemental cash flow information

Nine months September 30,	**2019**	2018
(a) Changes in non-cash working capital:		
Trade and other receivables	**$ 1,245,655**	$ 5,493,627
Income taxes recoverable	**-**	266,137
Unbilled revenue	**371,408**	(235,550)
Inventories	**21,768**	1,030,212
Deposits and prepaid expenses	**(89,205)**	(62,611)
Trade and other payables	**532,939**	(664,512)
Income taxes payable	**-**	30,895
	$ 2,082,565	$ 5,858,198
(b) Other non-cash transactions:		
Right-of-use assets added on Jan. 1, 2019 transition	**$ 1,367,828**	$ -
Equipment purchased under finance leases	**$ 541,245**	$ -
Amortization of prepaid borrowing costs	**$ 112,925**	$ 75,895

(c) Cash taxes paid

Cash taxes received for the period ended September 30, 2019, was $197,362 (2018 - $265,597).

13. Comparative numbers

During the period, 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.