



Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three months ended March 31, 2020 and 2019

**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 months ended March 31, 2020, have not been reviewed by the Company's external auditors.

ENTERPRISE GROUP, INC.

Condensed Interim Consolidated Statements of Financial Position

	March 31, 2020 (unaudited)	December 31, 2019 (audited)
Assets		
Cash and cash equivalents (note 3)	\$ 795,371	\$ 969,051
Trade and other receivables (note 3)	6,966,849	5,290,872
Unbilled revenue	277,291	420,391
Inventories	185,120	196,572
Deposits and prepaid expenses	217,867	182,540
	8,442,498	7,059,426
Property, plant and equipment (note 4)	47,558,860	48,299,173
Intangible assets	70,556	93,860
Deferred tax assets	2,912,420	2,838,249
	50,541,836	51,231,282
Total assets	\$ 58,984,334	\$ 58,290,708
Liabilities		
Trade and other payables (note 3)	\$ 1,697,512	\$ 1,799,106
Income taxes payable	317,390	116,227
Current portion of loans and borrowings (note 6)	10,414,287	10,123,063
	12,429,189	12,038,396
Long term portion of loans and borrowings (note 6)		
Leases	650,010	786,967
Mortgages	2,321,525	2,362,856
Deferred tax liabilities	2,912,420	2,838,249
Total liabilities	18,313,144	18,026,468
Equity		
Share capital (note 7)	72,195,278	73,213,572
Contributed surplus	13,690,279	12,769,729
Deficit	(45,214,367)	(45,719,061)
Total equity	40,671,190	40,264,240
Total equity and liabilities	\$ 58,984,334	\$ 58,290,708

Approved on behalf of the Board:

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

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

Condensed Interim Consolidated Statements of Income and Comprehensive Income

	Three months March 31, 2020	Three months March 31, 2019
Revenue	\$ 6,986,550	\$ 7,149,422
Direct expenses	(4,137,254)	(4,077,944)
Gross margin	2,849,296	3,071,478
General and administrative expenses	(542,852)	(509,673)
Depreciation of property, plant and equipment (note 4)	(1,278,400)	(1,489,915)
Amortization of intangible assets	(23,304)	(18,476)
Loss on sale of property, plant and equipment	(27,568)	(152,326)
Income before financing and taxes	977,172	901,088
Finance expense	(271,314)	(208,102)
Income before income tax	705,858	692,986
Income tax expense (note 5)	(201,164)	-
Net income and comprehensive income	\$ 504,694	\$ 692,986
Net earnings per share (note 9)		
Basic and diluted earnings per share	\$ 0.01	\$ 0.01

ENTERPRISE GROUP, INC.

Condensed Interim Consolidated Statements of Cash Flows

	Three months March 31, 2020	Three months March 31, 2019
Cash flows from operating activities:		
Net income	\$ 504,694	\$ 692,986
Adjustments for:		
Depreciation of property, plant and equipment	1,278,400	1,489,915
Amortization of intangible assets	23,304	18,476
Loss on sale of property, plant and equipment	25,700	152,326
Finance expense	271,314	208,102
Change in non-cash working capital (note 11)	(1,457,183)	(1,937,817)
Net cash provided by operating activities	646,229	623,988
Cash flows from financing activities:		
Net proceeds from bank loan facility	275,569	389,524
Interest and borrowing costs paid on loans and borrowings	(240,045)	(228,044)
Repayment of lease liabilities	(162,381)	(320,253)
Repayment of mortgage facilities	(31,522)	(22,673)
Share buyback and cancellation	(97,744)	(13,136)
Net cash used by financing activities	(256,123)	(194,582)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(606,210)	(436,335)
Proceeds on sale of property, plant and equipment	42,424	29,013
Net cash used by investing activities	(563,786)	(407,322)
Change in cash and cash equivalents	(173,680)	22,084
Cash and cash equivalents, beginning of period	969,051	869,912
Cash and cash equivalents, end of period	\$ 795,371	\$ 891,996

ENTERPRISE GROUP, INC.

Condensed Interim Consolidated Statements of Changes in Equity

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 7)	(54,000)	(77,557)	64,421	-	(13,136)
Net income	-	-	-	692,986	692,986
Balance as at March 31, 2019	55,093,374	\$79,127,288	\$7,163,452	\$(39,990,370)	\$46,300,370
Balance as at December 31, 2019	50,975,874	\$73,213,572	\$12,769,729	\$(45,719,061)	\$40,264,240
Common shares repurchased and cancelled (note 7)	(709,000)	(1,018,294)	920,550	-	(97,744)
Net income	-	-	-	504,694	504,694
Balance as at March 31, 2020	50,266,874	\$72,195,278	\$13,690,279	\$(45,214,367)	\$40,671,190

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 March 31, 2020, and December 31, 2019, are comprised of the Company and its wholly owned subsidiaries. The consolidated financial statements were authorized for issue by the Board of Directors on May 13, 2020.

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 2019 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, 2019.

3. 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 March 31, 2020.

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

	March 31, 2020	December 31, 2019
<u>Financial assets</u>		
Cash and cash equivalents	\$ 795,371	\$ 969,051
Trade and other receivables	\$ 6,966,849	\$ 5,290,872
Deposits	\$ 74,146	\$ 72,554
<u>Financial liabilities</u>		
Trade and other payables	\$ 1,697,512	\$ 1,799,106
Loans and borrowings	\$ 13,385,822	\$ 13,272,886

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.

Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

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. The Company has recorded a provision for doubtful accounts at March 31, 2020, of \$203,569 (December 31, 2019 - \$43,569).

At March 31, 2020, \$700,000 or 10% of trade receivables was from one customer compared to \$1,225,000 or 23% from two customers as at December 31, 2019.

	March 31, 2020	December 31, 2019
Current (less than 90 days)	\$ 6,530,991	\$ 4,502,472
Past due (more than 90 days)	435,858	788,400
Total	\$ 6,966,849	\$ 5,290,872

(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. For the period ended March 31, 2020, the Company generated 20% of revenue from two customers (2019 - 24% from two customers). No other customers comprise more than 10% of revenues.

The outbreak of COVID - 19 pandemic has negatively impacted economic conditions around the world. The decrease in oil demand, combined with other macro-economic factors, has resulted in significantly lower oil and liquids prices further driving economic uncertainty. Natural gas prices have also been volatile but in recent months the forward pricing curve has been strengthening. The Company's site infrastructure customers are substantially all natural gas and liquid producers.

During this period of uncertainty, the Company is committed to maintain its strong balance sheet and financial liquidity. The Company believes it has enough liquidity through cash flow and borrowing capacity on its credit facility to execute its business plan. The company's priority is to continue to spend sufficient maintenance capital to keep its equipment fleet modern and meet specific customer demands.

The following are undiscounted contractual maturities of financial liabilities, including estimated interest at March 31, 2020, and December 31, 2019:

	Carrying amount	Contractual cash flows	Due within one year	Two-five years	More than five years
March 31, 2020					
Trade and other payables	\$ 1,697,512	\$ 1,697,512	\$ 1,697,512	\$ -	\$ -
Loans and borrowings	13,385,822	14,979,021	10,527,410	2,108,066	2,343,545
	\$ 15,083,334	\$ 16,676,533	\$ 12,224,922	\$ 2,108,066	\$ 2,343,545
December 31, 2019					
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

(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 March 31, 2020, to impact the Company's annual interest expense by approximately \$122,000 (December 31, 2019 - \$120,000). The Company has not entered into any derivative agreements to mitigate this risk.

Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

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 March 31, 2020, the Company has met these objectives.

	March 31, 2020	December 31, 2019
Current portion of long term debt	\$ 10,414,287	\$ 10,123,063
Long term debt	2,971,535	3,149,823
Net funded debt	13,385,822	13,272,886
Shareholders' equity	40,671,190	40,264,240
Total capital	\$ 54,057,012	\$ 53,537,126

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 in the process of renewing its bank loan facility 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.

The Company's covenants are as follows:

	March 31, 2020	Required	December 31, 2019	Required
Fixed charge coverage ratio	2.07	> 1.25	2.33	> 1.25
Senior leverage ratio	5.96	< 6.25	5.08	< 6.25

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 March 31, 2020, the Company is in compliance with all covenants.

4. Property, plant and equipment

Cost	Balance at December 31, 2019	Additions	Disposals	Balance at March 31, 2020
Land	\$ 4,679,210	\$ -	\$ -	\$ 4,679,210
Buildings	1,492,993	-	-	1,492,993
Leasehold improvements	245,120	-	-	245,120
Computers and communication equipment	390,414	-	-	390,414
Small equipment	876,560	-	-	876,560
Light automotive equipment	1,709,665	-	(125,849)	1,583,816
Heavy automotive, construction and portable rental equipment	65,697,828	518,773	(27,979)	66,188,622
Right-of-use assets	1,879,271	-	-	1,879,271
Property, plant and equipment under construction	568,523	87,437	-	655,960
	\$ 77,539,584	\$ 606,210	\$ (153,828)	\$ 77,991,966

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	Accumulated depreciation			Carrying amounts		
	Balance at December 31, 2019	Depreciation for the year	Disposals	Balance at March 31, 2020	Balance at December 31, 2019	Balance at March 31, 2020
Land	\$ -	\$ -	\$ -	\$ -	\$ 4,679,210	\$ 4,679,210
Buildings	41,306	5,244	-	46,550	1,451,687	1,446,443
Leasehold improvements	207,562	2,279	-	209,841	37,558	35,279
Computers and communication equipment	382,799	842	-	383,641	7,615	6,773
Small equipment	725,043	3,939	-	728,982	151,517	147,578
Light automotive equipment	1,082,862	23,760	(72,155)	1,034,467	626,803	549,349
Heavy automotive, construction and portable rental equipment	26,011,905	1,145,334	(13,550)	27,143,689	39,685,923	39,044,933
Right-of-use assets	788,934	97,002	-	885,936	1,090,337	993,335
Property, plant and equipment under construction	-	-	-	-	568,523	655,960
	\$ 29,240,411	\$ 1,278,400	\$ (85,705)	\$ 30,433,106	\$ 48,299,173	\$ 47,558,860

Included in the carrying amount of \$47,558,860 is \$654,771 (2019 - \$567,334) of heavy automotive, construction and portable rental equipment under construction and \$1,189 (2019 - \$1,189) of computers and equipment, which is not being depreciated as they are not yet available for use.

The carrying amounts of right-of-use assets as at March 31, 2020, were as follows:

Right-of-use assets	March 31, 2020	December 31, 2019,
Buildings and premises	\$ 504,370	\$ 561,362
Small equipment	25,300	26,927
Light automotive equipment	463,665	502,048
	\$ 993,335	\$ 1,090,337

Rent expense for short-term leases and leases of low-value assets expensed for the period ended March 31, 2020, was \$210,820. At March 31, 2020, the Company was committed to short term leases and the total commitment at that date was \$265,820.

5. Income tax

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

Three months ended March 31,	2020	2019
Income before income tax	\$ 705,858	\$ 692,986
Expected tax rate	27.94 %	27.00 %
Current income tax expense	197,217	187,106
Deferred income tax recovery	(2,497)	(187,106)
Change in tax rates and rate differences	6,444	-
Income tax expense	\$ 201,164	\$ -

6. 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.

	March 31, 2020	December 31, 2019
Current portion of loans and borrowings		
Bank loan facility	\$ 9,699,646	\$ 9,394,228
Current portion of lease liabilities	575,993	601,417
Current portion of mortgage facilities	138,648	127,418
Total current portion of loans and borrowings	10,414,287	10,123,063
Non-current portion of loans and borrowings		
Lease liabilities	650,010	786,967
Mortgage facilities	2,321,525	2,362,856
Total non-current portion loans and borrowings	2,971,535	3,149,823
Total loans and borrowings	\$ 13,385,822	\$ 13,272,886

7. 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 March 31, 2020, the Company repurchased and cancelled a total of 709,000 shares at a cost of \$97,744 (2019 - 54,000 shares at a cost of \$13,136). 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.

8. 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 March 31, 2020	Number	Weighted average exercise price	Weighted average remaining contractual life (months)
Stock options, beginning of year	5,500,000	\$ 0.18	26
Stock options, March 31, 2020	5,500,000	\$ 0.18	23
Exercisable stock options, March 31, 2020	5,500,000	\$ 0.18	23

9. 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:

	2020	2019
Weighted average common shares outstanding - basic and diluted	54,235,304	55,245,420
Net income and comprehensive income	504,694	692,986
Basic and diluted earnings per share from comprehensive income	\$ 0.01	\$ 0.01

Notes to Condensed Interim Consolidated Financial Statements

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10. 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, as compensation for serving their role as officer for the Company.

Three months ended March 31,	2020	2019
Management and consulting fees	\$ 185,182	\$ 168,335

11. Supplemental cash flow information

Three months March 31,	2020	2019
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(a) Changes in non-cash working capital:

Trade and other receivables	\$ (1,675,977)	\$ (1,974,266)
Unbilled revenue	143,100	(12,609)
Inventories	11,452	17,954
Deposits and prepaid expenses	(35,327)	(19,650)
Trade and other payables	(101,594)	50,754
Income taxes payable	201,163	-
	\$ (1,457,183)	\$ (1,937,817)

(b) Other non-cash transactions:

Right-of-use assets added	\$ -	\$ 1,485,653
Amortization of prepaid borrowing costs	\$ 31,269	\$ 35,302

(c) Cash taxes paid

Cash taxes paid for the period ended March 31, 2020, was \$nil (2019 - \$nil).