ENTERPRISE GROUP, INC.

Condensed Interim Consolidated Financial Statements

(Unaudited)

**For the three and nine months ended September 30, 2021 and 2020**

## 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, 2021, have not been reviewed by the Company's external auditors.

| | September 30, 2021 (unaudited) | December 31, 2020 (audited) |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents (note 3) | $ **1,366,262** | $ 783,617 |
| Trade and other receivables (note 3) | **3,882,422** | 3,944,592 |
| Unbilled revenue | **323,991** | 229,603 |
| Inventories | **247,960** | 211,856 |
| Deposits and prepaid expenses | **256,583** | 160,806 |
| | **6,077,218** | 5,330,474 |
| **Property, plant and equipment (note 4)** | **41,284,591** | 44,015,112 |
| **Goodwill** | **351,910** | 351,910 |
| **Intangible assets** | **216,135** | 261,640 |
| **Deferred tax assets** | **2,380,905** | 2,292,026 |
| | **44,233,541** | 46,920,688 |
| **Total assets** | $ **50,310,759** | $ 52,251,162 |
| **Liabilities** | | |
| Trade and other payables (note 3) | $ **1,690,509** | $ 1,258,833 |
| Current portion of loans and borrowings (note 6) | **1,182,041** | 1,322,637 |
| | **2,872,550** | 2,581,470 |
| **Long term portion of loans and borrowings (note 6)** | | |
| **Bank loan facility** | **9,820,591** | 8,861,872 |
| **Leases** | **466,138** | 806,835 |
| **Mortgages** | **2,185,904** | 2,295,353 |
| **Vendor take-back loans** | **298,000** | 272,627 |
| **Term loan facilities** | **-** | 134,251 |
| **Deferred tax liabilities** | **2,380,905** | 2,292,026 |
| **Total liabilities** | **18,024,088** | 17,244,434 |
| **Equity** | | |
| Share capital | **69,065,401** | 70,990,991 |
| Contributed surplus | **16,476,443** | 14,768,508 |
| Deficit | **(53,255,173)** | (50,752,771) |
| **Total equity** | **32,286,671** | 35,006,728 |
| **Total equity and liabilities** | $ **50,310,759** | $ 52,251,162 |

**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 Loss and Comprehensive Loss

| | **Three months September 30, 2021** | Three months September 30, 2020 | **Nine months September 30, 2021** | Nine months September 30, 2020 |
|---|---|---|---|---|
| **Revenue** | **$ 3,916,528** | $ 2,505,840 | **$ 13,001,357** | $ 11,636,960 |
| Direct expenses | **(2,720,110)** | (2,153,619) | **(8,534,873)** | (8,229,387) |
| **Gross margin** | **1,196,418** | 352,221 | **4,466,484** | 3,407,573 |
| General and administrative expenses | **(470,922)** | (340,796) | **(1,222,645)** | (1,105,857) |
| **Income from operations** | **725,496** | 11,425 | **3,243,839** | 2,301,716 |
| Depreciation of property, plant and equipment (note 4) | **(1,300,131)** | (1,181,869) | **(3,992,743)** | (3,548,819) |
| Depreciation of right-of-use assets (note 4) | **(89,172)** | (109,940) | **(514,421)** | (367,040) |
| Share-based payments | **-** | - | **(25,085)** | (11,613) |
| Amortization of intangible assets | **(15,014)** | (23,483) | **(45,505)** | (70,270) |
| Gain (loss) on sale of property, plant and equipment (note 4) | **105,114** | (136,675) | **(358,910)** | (180,777) |
| **Loss before financing and taxes** | **(573,707)** | (1,440,542) | **(1,692,825)** | (1,876,803) |
| Finance expense | **(395,785)** | (230,697) | **(809,577)** | (788,651) |
| **Loss before income tax** | **(969,492)** | (1,671,239) | **(2,502,402)** | (2,665,454) |
| Income tax recovery (expense) (note 5) | **-** | 115,562 | **-** | (230,492) |
| **Net loss and comprehensive loss** | **$ (969,492)** | $ (1,555,677) | **$ (2,502,402)** | $ (2,895,946) |
| **Loss per share (note 9)** | | | | |
| Basic and diluted loss per share | **$ (0.02)** | $ (0.03) | **$ (0.05)** | $ (0.06) |



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

| | | Nine months September 30, 2021 | | Nine months September 30, 2020 |
|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | |
| **Net loss** | $ | **(2,502,402)** | $ | (2,895,946) |
| **Adjustments for:** | | | | |
| Depreciation of property, plant and equipment | | **3,992,743** | | 3,548,819 |
| Depreciation of right-of-use assets | | **514,421** | | 367,040 |
| Amortization of intangible assets | | **45,505** | | 70,270 |
| Loss on sale of property, plant and equipment | | **314,859** | | 163,592 |
| Share based payments | | **25,085** | | 11,613 |
| Finance expense | | **809,577** | | 788,651 |
| Change in non-cash working capital (note 11) | | **267,577** | | 1,504,954 |
| **Net cash provided by operating activities** | $ | **3,467,365** | $ | 3,558,993 |
| **Cash flows from financing activities:** | | | | |
| Net proceeds from bank loan facility | | **1,210,986** | | 170,967 |
| Proceeds from mortgage facilities | | **-** | | 60,000 |
| Interest and borrowing costs paid on loans and borrowings | | **(1,012,873)** | | (786,386) |
| Repayment of lease liabilities | | **(647,239)** | | (824,854) |
| Repayment of mortgage facilities | | **(109,586)** | | (107,950) |
| Repayment of term loans | | **(270,457)** | | - |
| Share buyback and cancellation | | **(316,239)** | | (174,165) |
| Stock options exercised | | **73,499** | | - |
| **Net cash used in financing activities** | $ | **(1,071,909)** | $ | (1,662,388) |
| **Cash flows from investing activities:** | | | | |
| Purchase of property, plant and equipment | | **(2,911,362)** | | (1,004,163) |
| Proceeds on sale of property, plant and equipment | | **1,098,551** | | 784,555 |
| Purchase of intangible assets | | **-** | | (2,150) |
| **Net cash used in investing activities** | $ | **(1,812,811)** | $ | (221,758) |
| **Change in cash and cash equivalents** | $ | **582,645** | $ | 1,674,847 |
| **Cash and cash equivalents, beginning of period** | $ | **783,617** | $ | 969,051 |
| **Cash and cash equivalents, end of period** | $ | **1,366,262** | $ | 2,643,898 |

| | Number of common shares | Share capital | Contributed surplus | Deficit | Total |
|---|---|---|---|---|---|
| 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) | (1,197,500) | (1,719,897) | 1,545,732 | - | (174,165) |
| Share-based payments | - | - | 11,613 | - | 11,613 |
| Net loss | - | - | - | (2,895,946) | (2,895,946) |
| Balance as at September 30, 2020 | 49,778,374 | $71,493,675 | $14,327,074 | $(48,615,007) | $37,205,742 |
| Balance as at December 31, 2020 | 49,428,374 | $70,990,991 | $14,768,508 | $(50,752,771) | $35,006,728 |
| Common shares repurchased and cancelled (note 7) | (1,407,000) | (2,010,702) | 1,694,463 | - | (316,239) |
| Share options exercised | 490,000 | 85,112 | (11,613) | - | 73,499 |
| Share-based payments | - | - | 25,085 | - | 25,085 |
| Net loss | - | - | - | (2,502,402) | (2,502,402) |
| **Balance as at September 30, 2021** | **48,511,374** | **$69,065,401** | **$16,476,443** | **$(53,255,173)** | **$32,286,671** |



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 consolidated financial statements of the Company as at September 30, 2021, and December 31, 2020, are comprised of the Company and its wholly owned subsidiaries. These consolidated financial statements were authorized for issue by the Board of Directors on November 10, 2021.

## 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 2020 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, 2020.

## 3. Financial instruments and risk management

### (a) Pandemics and health risks

The Company is exposed to risks relating to public health emergencies and infectious diseases, including the COVID-19 pandemic, and related government responses, which has had a negative impact on global financial conditions and could have a material and adverse effect on the Company's business, financial condition and results of operations. The Company cannot accurately predict the impact COVID-19 will have on its ability to execute its business plans in response to government public health efforts to contain COVID-19 and to obtain financing or third parties' ability to meet their contractual obligations with the Company. To mitigate these risks, the Company has utilized certain Canadian Government assistance programs designed to assist businesses during COVID-19 including the Canadian Emergency Wage Subsidy program, the Canadian Emergency Rent Subsidy program and the Canadian Emergency Business Account program. In the event that the prevalence of COVID-19 continues to increase (or fears in respect of COVID-19 continue to increase), governments may increase regulations and restrictions regarding the flow of labour, products and travel bans which could impact the Company's ability to carry out its ongoing business plan.

### (b) 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, 2021.

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

| | **September 30, 2021** | December 31, 2020 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | **$ 1,366,262** | $ 783,617 |
| Trade and other receivables | **$ 3,882,422** | $ 3,944,592 |
| Deposits | **$ 77,417** | $ 78,388 |
| **Financial liabilities** | | |
| Trade and other payables | **$ 1,690,509** | $ 1,258,833 |
| Loans and borrowings | **$ 13,952,674** | $ 13,693,575 |

**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.

**(c) 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. The Company has recorded a provision for doubtful accounts at September 30, 2021, of $nil (December 31, 2020 - $16,025).

At September 30, 2021, $1,607,000 or 41% of trade receivables was from three customers compared to $815,000 or 25% from two customers as at December 31, 2020. As at September 30, 2021, an accrual of $440,390 ($629,720 as of December 31, 2020) and $128,676 ($150,316 as of December 31, 2020) is included in total receivables for the Canadian Emergency Wage Subsidy program and for the Canadian Emergency Rent Subsidy program respectively. The subsidies are accrued when the Company is reasonably assured the grant conditions are met and recorded to offset the related salary and wage expenses.

| | **September 30, 2021** | December 31, 2020 |
|---|---|---|
| Current (less than 90 days) | **$ 3,647,743** | $ 3,589,869 |
| Past due (more than 90 days) | **234,679** | 354,723 |
| Total | **$ 3,882,422** | $ 3,944,592 |

**(d) 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 three months ended September 30, 2021, the Company generated 51% of revenue from three customers (2020 - 52% from four customers). For the nine months ended September 30, 2021, the Company generated 40% of revenue from three customers (2020 - 21% 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 September 30, 2021, and December 31, 2020:

| **September 30, 2021** | **Carrying amount** | **Contractual cash flows** | **Due within one year** | **Two-five years** | **More than five years** |
|---|---|---|---|---|---|
| Trade and other payables | $ 1,690,509 | $ 1,690,509 | $ 1,690,509 | $ - | $ - |
| Loans and borrowings | 13,952,674 | 18,224,662 | 1,303,865 | 15,029,123 | 1,891,674 |
| | **$ 15,643,183** | **$ 19,915,171** | **$ 2,994,374** | **$ 15,029,123** | **$ 1,891,674** |

| December 31, 2020 | Carrying amount | Contractual cash flows | Due within one year | Two-five years | More than five years |
|---|---|---|---|---|---|
| Trade and other payables | $ 1,258,833 | $ 1,258,833 | $ 1,258,833 | $ - | $ - |
| Loans and borrowings | 13,693,575 | 15,850,435 | 1,504,545 | 12,280,105 | 2,065,785 |
| | $ 14,952,408 | $ 17,109,268 | $ 2,763,378 | $ 12,280,105 | $ 2,065,785 |

**(e) 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, 2021, to impact the Company's annual interest expense by approximately $23,000 (December 31, 2020 - $113,000). 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 September 30, 2021, the Company has met these objectives.

| | **September 30, 2021** | December 31, 2020 |
|---|---|---|
| Bank loan facility | **$ 9,820,591** | $ 8,861,872 |
| Current portion of loans and borrowings | **1,182,041** | 1,322,637 |
| Long term loans and borrowings | **2,950,042** | 3,509,066 |
| Net funded debt | **13,952,674** | 13,693,575 |
| Shareholders' equity | **32,286,671** | 35,006,728 |
| Total capital | **$ 46,239,345** | $ 48,700,303 |

Included in net funded debt is the bank loan facility which requires the Company to maintain certain financial covenants.
The new bank loan facility (note 6(a)) is subject to financial covenants based on forecasted revenue, EBITDA, and tangible net worth. As at September 30, 2021, the Company is compliance with the required covenants.

## 4. Property, plant and equipment

| Cost | Balance at December 31, 2020 | Additions | Disposals | Reclassified | Balance at September 30, 2021 |
|---|---|---|---|---|---|
| Land | $ 4,679,210 | $ - | $ - | $ - | **$ 4,679,210** |
| Buildings | 1,507,493 | - | - | 9,419 | **1,516,912** |
| Leasehold improvements | 238,926 | 1,763 | - | 950 | **241,639** |
| Computers and communication equipment | 382,136 | 14,661 | (166,233) | 13,691 | **244,255** |
| Small equipment | 672,820 | 279,468 | (1,373) | 21,601 | **972,516** |
| Light automotive equipment | 1,010,529 | - | (182,991) | - | **827,538** |
| Heavy automotive, construction and portable rental equipment | 64,267,718 | 2,027,363 | (3,104,028) | 12,332 | **63,203,385** |
| Right-of-use assets | 2,408,248 | 278,693 | (89,142) | - | **2,597,799** |
| Property, plant and equipment under construction | 541,195 | 588,106 | (7,254) | (57,993) | **1,064,054** |
| | **$ 75,708,275** | **$ 3,190,054** | **$ (3,551,021)** | **$ -** | **$ 75,347,308** |

| | Accumulated depreciation | | | | | Carrying amounts | |
|---|---|---|---|---|---|---|---|
| | Balance at December 31, 2020 | Depreciation for the year | Disposals | Reclass | Balance at September 30, 2021 | Balance at December 31, 2020 | Balance at September 30, 2021 |
| Land | $ - | $ - | $ - | $ - | **$ -** | $ 4,679,210 | **$ 4,679,210** |
| Buildings | 71,724 | 16,220 | - | - | **87,944** | 1,435,769 | **1,428,968** |
| Leasehold improvements | 210,319 | 5,520 | - | - | **215,839** | 28,607 | **25,800** |
| Computers and communication equipment | 371,744 | 8,414 | (166,233) | - | **213,925** | 10,392 | **30,330** |
| Small equipment | 445,292 | 85,545 | (1,236) | (3,146) | **526,455** | 227,528 | **446,061** |
| Light automotive equipment | 693,375 | 26,737 | (108,637) | - | **611,475** | 317,154 | **216,063** |
| Heavy automotive, construction and portable rental equipment | 29,125,604 | 3,850,307 | (1,812,860) | 3,146 | **31,166,197** | 35,142,114 | **32,037,188** |
| Right-of-use assets | 775,105 | 514,421 | (48,644) | - | **1,240,882** | 1,633,143 | **1,356,917** |
| Property, plant and equipment under construction | - | - | - | - | **-** | 541,195 | **1,064,054** |
| | **$ 31,693,163** | **$ 4,507,164** | **$ (2,137,610)** | **$ -** | **$ 34,062,717** | **$ 44,015,112** | **$ 41,284,591** |

Included in the carrying amount of $41,284,591 is $1,064,054 (2020 - $540,006) of heavy automotive, construction and portable rental equipment under construction and $nil (2020 - $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 September 30, 2021, were as follows:

| Right-of-use assets | September 30, 2021 | December 31, 2020, |
|---|---|---|
| Buildings and premises | **$ 584,405** | $ 1,038,344 |
| Small equipment | **15,538** | 20,419 |
| Light automotive equipment | **756,974** | 574,380 |
| | **$ 1,356,917** | $ 1,633,143 |

For the three months ended September 30, 2021, rent expense for short-term leases and leases of low-value assets was $157,325 (2020 - $120,127). For the nine months ended September 30, 2021, rent expense for short-term leases and leases of low-value assets was $459,101 (2020 - $469,275). At September 30, 2021, the Company was committed to short term leases and the total commitment at that date was $569,084 (2020 - $2,209).

For the nine months ended September 30, 2021, the Company sold property, plant and equipment with a net book value of $1,413,410 and received proceeds of $1,098,551 (2020 - net book value of $947,446 and proceeds of $784,555). The loss on sale of equipment of $358,910 included sales related costs of $44,051 (2020 - loss on sale of $180,777 and costs of $17,886).

## 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:

| Nine months ended September 30, | 2021 | 2020 |
|---|---|---|
| Income before income tax | **$ (2,502,402)** | $ (2,895,946) |
| Expected tax rate | **23.86 %** | 24.47 % |
| Current income tax expense | **(597,073)** | (708,638) |
| Non-deductible items | **4,527** | 4,035 |
| Change in tax rates and rate differences | **28,742** | 867,884 |
| Change in unrecognized temporary differences | **563,804** | 67,211 |
| Income tax expense | **$ -** | $ 230,492 |

## 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.

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Current portion of loans and borrowings | | |
| Current portion of vendor take-back loans | **$ 307,304** | $ 287,968 |
| Current portion of term loan facilities | **-** | 136,207 |
| Current portion of lease liabilities | **723,818** | 751,667 |
| Current portion of mortgage facilities | **150,919** | 146,795 |
| Total current portion of loans and borrowings | **1,182,041** | 1,322,637 |
| Non-current portion of loans and borrowings | | |
| Bank loan facility | **9,820,591** | 8,861,872 |
| Vendor take-back loans | **298,000** | 272,627 |
| Term loan facilities | **-** | 134,251 |
| Lease liabilities | **466,138** | 806,835 |
| Mortgage facilities | **2,185,904** | 2,295,353 |
| Total non-current portion loans and borrowings | **12,770,633** | 12,370,938 |
| Total loans and borrowings | **$ 13,952,674** | $ 13,693,575 |

**(a) Bank loan facility**

Effective September 7, 2021, the Company changed lenders and replaced it's bank loan facility with a $30,000,000 revolving line of credit. The facility is secured by a first charge on all the Company's assets except those secured with other lenders, bears interest at the 10.00%, requires no principal repayments until the September 7, 2024, due date, and is subject to certain borrowing restrictions. The facility has an option to extend of an additional twelve months if both parties mutually agree on the terms.

## 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 nine months ended September 30, 2021, the Company repurchased and cancelled a total of 1,407,000 shares at a cost of $316,239 (2020 - 1,197,500 shares at a cost of $174,165). 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 30, 2021, with a termination date of August 29, 2022, or such earlier time as the bid is completed or terminated at the option of the Company.

### 8. Share-based payments

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, 2021** | **Number** | **Weighted average exercise price** | **Weighted average remaining contractual life (months)** |
|---|---|---|---|
| Stock options, beginning of year | 5,025,000 | $ 0.18 | 9 |
| Exercised | (490,000) | $ 0.15 | - |
| Expired | - | $ - | - |
| Issued | 346,000 | $ 0.25 | 7 |
| **Stock options, September 30, 2021** | **4,881,000** | **$ 0.18** | **9** |
| **Exercisable stock options, September 30, 2021** | **4,881,000** | **$ 0.18** | **9** |

### 9. Earnings per share

The loss 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, 2021** | Three months September 30, 2020 | **Nine months September 30, 2021** | Nine months September 30, 2020 |
|---|---|---|---|---|
| Weighted average common shares outstanding - basic | **49,041,461** | 50,215,281 | **49,140,284** | 50,380,471 |
| Net loss and comprehensive loss | **$(969,492)** | $(1,555,677) | **$(2,502,402)** | $(2,895,946) |
| Basic and diluted earnings per share from comprehensive income | **$(0.02)** | $(0.03) | **$(0.05)** | $(0.06) |

As at September 30, 2021, all outstanding stock options were in the money. The effect of the potential incremental options was anti-dilutive to earnings per share and the options were not included in the calculation.

### 10. Related party transactions

The Company has entered into various transactions in the normal course of business with a corporation controlled by an officer and director 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 his role as officer for the Company.

| **Nine months ended September 30,** | **2021** | 2020 |
|---|---|---|
| Management and consulting fees | **$ 493,819** | $ 493,790 |

## 11. Supplemental cash flow information

| Nine months September 30, | | 2021 | | 2020 |
|---|---|---|---|---|
| **(a)** Changes in non-cash working capital: | | | | |
| Trade and other receivables | **$** | **62,170** | $ | 2,029,875 |
| Unbilled revenue | | **(94,388)** | | 169,336 |
| Inventories | | **(36,104)** | | 14,608 |
| Deposits and prepaid expenses | | **(95,777)** | | (15,639) |
| Trade and other payables | | **431,676** | | (810,452) |
| Income taxes payable | | **-** | | 117,226 |
| | **$** | **267,577** | $ | 1,504,954 |
| **(b)** Other non-cash transactions: | | | | |
| Purchases under lease liabilities | **$** | **278,693** | $ | 478,574 |
| Amortization of prepaid borrowing costs | **$** | **141,685** | $ | 92,157 |

**(c)** Cash taxes paid

Cash taxes paid for the period ended September 30, 2021, was $nil (2020 - $113,265).

## 12. COVID-19 impact

The Company is utilizing the Canadian Emergency Wage Subsidy Program (CEWS), the Canadian Emergency Rent Subsidy (CERS), and the Canadian Emergency Business Account Program (CEBA). Under these programs the Company is eligible for/or has received: CEWS of $1,544,714 (September 2020 - $1,226,917), CERS of $332,528 (September 2020 - $nil) and CEBA loans of $120,000.

The Company is utilizing the Canadian Emergency Wage Subsidy Program as intended, keeping employees working and on payroll during the COVID-19 pandemic. The Company continues to monitor changes to all government programs and will alter its cost structure accordingly if required. Utilizing the CEWS and CERS programs, the Company recorded $360,624 ($333,798 – September 2020) against direct costs for the three months ended September 30, 2021 and $417,890 ($700,080 – September 2020) against EBITDA for the three months ended September 30, 2021. Utilizing the CEWS and CERS programs, the Company recorded $1,620,502 ($1,082,880 – September 2020) against direct costs for the nine months ended September 30, 2021, and $1,877,242 ($1,226,917 – September 2020) against EBITDA for the nine months ended September 30, 2021.