



Management's Discussion and Analysis

For the three and nine months ended September 30, 2020 and 2019



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2020 and 2019

This Management Discussion and Analysis (MD&A) should be read in conjunction with the unaudited consolidated financial statements and the notes contained therein of Enterprise Group, Inc. ("Enterprise", the "Company" or the "Corporation") for the three and nine months ended September 30, 2020. The Company prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The documents are available at www.sedar.com and at www.enterprisegrp.ca.

This MD&A was prepared effective November 10, 2020.

FORWARD-LOOKING INFORMATION

Certain information in the MD&A, other than statements of historical fact, may include forward-looking information that involves various risks and uncertainties. Forward-looking statements may contain words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue", and similar expressions and statements relating to matters that are not historical facts. These may include, without limitation, statements based on current expectations involving a number of risks and uncertainties related to pipeline and facilities construction and maintenance services associated with the oil and gas industries and utility services and the domestic and worldwide supplies and commodity prices of oil and gas.

These risks and uncertainties include, but are not limited to, seasonal weather patterns, maintaining and increasing market share, government regulation of energy and resource companies, terrorist activity, the price and availability of alternative fuels, the availability of pipeline capacity, potential instability or armed conflict in oil producing regions, overall economic environment, the success of integrating and realizing the potential of acquisitions, ability to attract and retain key personnel, technological change, demand for services provided by Enterprise, and fluctuations in the value of the Canadian dollar relative to the US dollar.

These risks and uncertainties may cause actual results to differ from information contained herein. There can be no assurance that such forward-looking information will prove to be accurate. Actual results and future events could differ materially from those anticipated in such forward-looking information. The forward-looking information is based on the estimates and opinions of management on the dates they are made and are expressly qualified in their entirety by this notice. The Company assumes no obligation to update forward-looking information should circumstances or management's estimates or opinions change as a result of new information or future events. Readers should not place undue reliance on forward-looking information.

COMPANY PROFILE

The Corporation provides specialized equipment and services in the build out of infrastructure for the energy, pipeline, and infrastructure construction industries. The Corporation's focus is specialty equipment rentals and service. With corporate headquarters in St. Albert, Alberta, Canada; site offices in Morinville, Edmonton, Drayton Valley, Whitecourt, and Grande Prairie, Alberta; Pouce Coupe, and Fort St. John, British Columbia, Enterprise is strategically located near its customers. The Corporation's strategy is to acquire complementary service companies in Western Canada, consolidating capital, management and human resources to support continued growth.

In September 2012, Enterprise expanded by acquiring Artic Therm International Ltd. ("Artic Therm" or "ATI"). Founded in 1998, Artic Therm is an industry leader in providing flameless heat technology to the broad-based construction and oil & gas industries in Western Canada. Artic Therm provides flameless heaters ranging in heat output from 375,000 British Thermal Units ("BTUs") to 3,300,000 BTUs.



In June 2013, Enterprise became engaged in the highly specialized trenchless solutions field through its acquisition of Calgary Tunnelling & Horizontal Augering Ltd. (“Calgary Tunnelling” or “CTHA”). Calgary Tunnelling was founded in 1984 and is a leader in this segment of the construction industry. This business unit utilized a number of trenchless disciplines to complete projects efficiently and safely, including laser guided boring and augering, pipe ramming and pipe jacking/tunnel boring. Calgary Tunnelling performed its services from the west coast through to central Canada across the energy, utility and infrastructure segments. Its clients ranged from Canada's largest rail companies and premier utility providers to leading infrastructure contractors and some of North America's largest pipeline companies.

On January 3, 2014, Enterprise began providing oilfield infrastructure site services and rentals through its acquisition of Hart Oilfield Rentals Ltd. (“Hart”). Hart is a full service oilfield site service infrastructure company providing services and rentals to its oil and gas customers operating within the Western Canadian Sedimentary Basin. Hart's rental fleet includes patent-pending highly efficient modular designs that provide its competitive advantage. Hart designs, manufactures and assembles its modular/combo equipment (including fuel, generator, light stand, sewage treatment, medic, security and truck trailer combos), or when required, subcontracts manufacturing to local suppliers. Hart's broad conventional and modular/combo rental equipment fleet is designed to provide “one-stop” on-site infrastructure to support drilling and completion operations. Hart services highly active plays of West Central Alberta and Northeast British Columbia, including Cardium, Duvernay, Montney and the Deep Basin from three service locations in Alberta (Drayton Valley, Whitecourt, and Grande Prairie).

On October 1, 2014, Enterprise completed the acquisition of Westar Oilfield Rentals Inc. (“Westar”), a privately held oilfield site service infrastructure company based in Fort St. John, British Columbia. This acquisition provides both revenue and cost synergies with Hart. Furthermore, it provides the Company with a foothold in the important Fort St. John market and a platform from which to introduce all of Enterprise's services. Westar also has an office and yard facility in Pouce Coupe, British Columbia.

On July 7, 2016, Enterprise Group, Inc. closed a transaction to divest substantially all the assets of T.C. Backhoe & Directional Drilling Ltd. (“TCB”). TCB provided directional drilling and installation of underground power, telecommunications and natural gas lines to the utility infrastructure segment. These activities were conducted from the Corporation's Sherwood Park, Alberta construction office.

On March 22, 2018, Enterprise closed a transaction to divest substantially all the assets of Calgary Tunnelling & Horizontal Augering Ltd. (“CTHA”). CTHA provided specialized trenchless solutions for the energy, utility and infrastructure industries. These activities were conducted from the Corporation's Calgary, Alberta office.

Seasonality of Operations

The Corporation provides services to the oil and gas industry and infrastructure utility sectors. The oil and gas industry is affected by the seasonal nature of that industry. In general, the level of activity in the Canadian oil and gas industry is influenced by seasonal weather patterns. Wet weather and the spring thaw can make the ground unstable. Consequently, municipalities and provincial transportation authorities enforce road bans that restrict movement of rigs and other heavy equipment, thereby reducing activity levels. Certain oil and gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the drilling sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in the activity levels of exploration and production companies and corresponding declines in the demand for the services of the Corporation. Services provided to the utility infrastructure sector tend to be more evenly distributed throughout the calendar year although the spring thaw does affect movement of equipment even in the urban/suburban areas resulting in April and May being the slowest months of the year historically.



OPERATING ENVIRONMENT AND THE COVID-19 PANDEMIC

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 gas liquids producers.

During this period of uncertainty, the Company is committed to maintaining its strong balance sheet and financial liquidity. During the quarter, Enterprise extended its bank loan facility for one year with an option to extend for a second year. The Company believes it has enough liquidity through cash flow and borrowing capacity on its credit facility to execute its business plan. Enterprise employs experienced management and is committed to maintaining a high quality of service provided to its customers. The Company's priority is to continue to spend sufficient maintenance capital to keep its equipment fleet modern and meet specific customer demands.

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.

See "Risks and Uncertainties" for additional information relating to COVID -19.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

	Three months September 30, 2020	Three months September 30, 2019	Nine months September 30, 2020	Nine months September 30, 2019
Revenue	\$2,505,840	\$3,830,847	\$11,636,960	\$14,172,541
Gross margin	\$352,221	\$352,043	\$3,407,573	\$3,488,313
Gross margin %	14%	9%	29%	25%
EBITDA ⁽¹⁾	\$11,425	\$(183,188)	\$2,301,716	\$1,847,235
Net loss and comprehensive loss	\$(1,555,677)	\$(2,297,554)	\$(2,895,946)	\$(3,838,631)
Loss per share	\$(0.03)	\$(0.04)	\$(0.06)	\$(0.07)

(1) Identified and defined under "Non-IFRS Measures".

- The Company has been able to maintain its customer base and as a result, the activity experienced up to mid-March 2020 was consistent with the prior year. However, as a result of COVID-19 guidelines and restrictions, lower demand for energy resources, and consolidation within the energy sector, customers reduced activity negatively impacting revenue in Q3. Revenue for the three months ended September 30, 2020, was \$2,505,840 compared to \$3,830,847 a decrease of \$1,305,007. Revenue for the nine months ended September 30, 2020, was \$11,636,960 compared to \$14,172,541 a decrease of \$2,535,581.
- The Company generated positive cash flow from operations for the three months ended September 30, 2020 of \$223,276 and \$3,558,993 for the nine months ended September 30, 2020, which was consistent to the prior periods of \$740,180 and \$3,914,674 for the three and nine months respectively. During the nine months ended September 30, 2020, the Company purchased and cancelled 1,197,500 shares at a cost of \$174,165. As result, the Company's share capital account was reduced by \$1,719,897 representing the average share value of outstanding shares cancelled. Enterprise believes its stock remains undervalued and will continue to re-invest positive cash flow to buy-back shares to enhance shareholder value.



- Gross margin for the three months ended September 30, 2020, was \$352,221 which was relatively unchanged compared to the prior period of \$352,043. On a percentage basis however, gross margin for the three months increased by 5 basis points over the prior period. Utilizing the Canada Emergency Wage Subsidy program, the Company recorded \$524,323 of the wage subsidy against direct costs for the three months ended September 30, 2020. Gross margin for the nine months ended September 30, 2020, was \$3,407,573 or 29%, a decrease of \$80,740 compared to the prior period of \$3,488,313 or 25%. On a percentage basis however, gross margin for the nine months increased by 4 basis points over the prior period. EBITDA was \$11,425 for the three months ended September 30, 2020, an increase of \$194,613 compared to the prior period. Utilizing the Canada Emergency Wage Subsidy program, the Company recorded \$1,039,310 of the wage subsidy against direct costs for the nine months ended September 30, 2020. EBITDA was \$2,301,716 for the nine months ended September 30, 2020, an increase of \$454,481 compared to the prior period.

Selected Consolidated Expenses

	Three months September 30, 2020	Three months September 30, 2019	Nine months September 30, 2020	Nine months September 30, 2019
Selected Consolidated Expenses:				
General and administrative	\$340,796	\$535,231	\$1,105,857	\$1,641,078
Finance expense	\$230,697	\$205,885	\$788,651	\$633,253
Depreciation of property, plant and equipment	\$1,291,809	\$1,491,543	\$3,915,859	\$4,462,685

General and administrative expenses

General and administrative expenses for the three and nine month periods ended September 30, 2020, decreased to \$340,796 and \$1,105,857 respectively. Due to current economic conditions, the Company has stopped all non-essential travel and business expenses and has postponed bonuses. Also, through utilizing the Canada Emergency Wage Subsidy program, the Company recorded \$71,842 and \$134,674 of wage subsidies against general and administrative costs for the three and nine month periods respectively.

Finance expense

Finance expense includes interest charges on all outstanding debt including: the loan facility with PNC, leases, mortgage facilities and debt modification adjustments. The Company has utilized debt to support operations, fund capital expenditures and partially fund acquisitions as required. The finance expense on long term debt for the three months ended September 30, 2020, increased by \$24,812 compared to the prior period from new mortgages to purchase the land and buildings at our Pouce Coupe and Morinville locations. For the nine month period ended September 30, 2020, finance expense on long term debt increased to \$788,651 from \$633,253 compared to the prior year.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment for the three months ended September 30, 2020, was \$1,291,809, a decrease of \$199,734 compared to the prior period. For the nine month period, depreciation of property plant and equipment was \$3,915,859, a decrease of \$546,826 over the prior period. The decrease is largely due efforts to right size the company by divesting underutilized assets and re-deploying those assets to better serve the needs of the Company.



SELECTED CONSOLIDATED FINANCIAL INFORMATION

	Three months September 30, 2020	Three months September 30, 2019	Nine months September 30, 2020	Nine months September 30, 2019
Revenue	\$2,505,840	\$3,830,847	\$11,636,960	\$14,172,541
EBITDA ⁽¹⁾	\$11,425	\$(183,188)	\$2,301,716	\$1,847,235
Loss before income tax	\$(1,671,239)	\$(2,297,554)	\$(2,665,454)	\$(3,838,631)
Net loss and comprehensive loss	\$(1,555,677)	\$(2,297,554)	\$(2,895,946)	\$(3,838,631)
Basic and diluted loss per share	\$(0.03)	\$(0.04)	\$(0.06)	\$(0.07)
Weighted average common shares outstanding – basic	50,215,281	54,730,643	50,380,471	54,891,778
Weighted average common shares outstanding – diluted	50,215,281	54,730,643	50,380,471	54,891,778
Total common shares outstanding	49,778,374	52,473,374	49,778,374	52,473,374
Total assets	\$53,863,604	\$58,678,982	\$53,863,604	\$58,678,982
Total liabilities	\$16,657,862	\$16,652,594	\$16,657,862	\$16,652,594
Total equity	\$37,205,742	\$41,726,388	\$37,205,742	\$41,726,388

(1) Identified and defined under "Non-IFRS Measures".



	Year ended December 31, 2019	Year ended December 31, 2018 ⁽²⁾⁽³⁾	Year ended December 31, 2017 restated ⁽²⁾
Revenue	\$19,521,797	\$20,479,612	\$24,339,548
EBITDA ⁽¹⁾	\$2,879,683	\$81,656	\$4,255,893
Loss before income tax	\$(5,116,841)	\$(10,122,253)	\$(2,806,642)
Net loss from continuing operations ⁽³⁾	\$(5,035,705)	\$(8,366,169)	\$(2,330,261)
Net loss and comprehensive loss	\$(5,035,705)	\$(5,812,503)	\$(936,041)
Basic and diluted loss per share	(\$0.09)	(\$0.11)	(\$0.02)
Weighted average common shares outstanding – basic	54,269,996	55,259,974	55,641,747
Weighted average common shares outstanding – diluted	54,269,996	55,259,974	55,641,747
Total common shares outstanding	50,975,874	55,147,374	55,517,874
Total assets	\$58,290,708	\$60,128,999	\$81,482,330
Total liabilities	\$18,026,468	\$14,508,479	\$29,490,552
Total equity	\$40,264,240	\$45,620,520	\$51,991,778

(1) Identified and defined under "Non-IFRS Measures".

(2) In March 2018, the Company closed a transaction to divest substantially all the assets of CTHA. The net operations of CTHA, including the prior period, are presented as a single amount in the consolidated statements of income (loss) and comprehensive income (loss).

(3) Includes a non-recurring and non-cash impairment charge for the year ended December 31, 2019 of \$nil (2018 - \$3,887,300, 2017 - \$nil) relating to intangible assets and goodwill.



Cash Flow Information

A summary of cash flow information for the nine months ended September 30, 2020, and 2019, is set out below:

Cash Flow Information	Nine months September 30, 2020	Nine months September 30, 2019
Net cash provided by operating activities	\$3,558,993	\$3,914,674
Net cash used by financing activities	(1,662,388)	(1,039,118)
Net cash used by investing activities	(221,758)	(2,979,961)
Change in cash and cash equivalents	1,674,847	(104,405)
Cash and cash equivalents, beginning of period	969,051	869,912
Cash and cash equivalents, end of period	\$2,643,898	\$765,507

Operating activities provided net cash of \$3,558,993 compared to \$3,914,674 in the prior period.

Net cash used by financing activities reflects the regular debt reduction payments made during the nine months of \$1,719,190, the share buyback program using \$174,165 and a draw of \$1,300,000 from the bank loan facility to purchase the assets acquired as described in the Post Reporting Events section of this MD&A. Prior to the draw the net cash used by financing activities was \$362,388, a decrease of cash used of \$676,730 compared to the prior year.

Net cash used by investing activities reflects \$1,004,163 paid to purchase property, plant and equipment and \$784,555 of cash received from the sale of equipment. The majority of equipment purchased during the year was to meet customer demands.

SUMMARY OF QUARTERLY RESULTS

	2020			2019			2018	
	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31
Revenue	\$2,505,840	\$2,144,570	\$6,986,550	\$5,349,256	\$3,830,847	\$3,192,272	\$7,149,422	\$5,581,767
Net (loss) income for the period	\$(1,555,677)	\$(1,844,963)	\$504,694	\$(1,197,074)	\$(2,297,554)	\$(2,234,060)	\$692,986	\$(4,567,789)
(Loss) earnings per share - Basic and Diluted	\$(0.03)	\$(0.04)	\$0.01	\$(0.02)	\$(0.04)	\$(0.04)	\$0.01	\$(0.08)

Quarterly information is discussed in the "Overall Performance and Results of Operations" section of this MD&A.

POST REPORTING EVENT

On October 1, 2020 Enterprise acquired an additional \$1,700,000 of natural gas power generation assets. The assets were acquired by way of a share purchase and included the assumption of \$410,000 of equipment leases. The purchase price was satisfied through a combination of \$1,100,000 cash and \$600,000 vendor take-back financing, which will be paid on the first and second anniversary dates.



OUTSTANDING SHARE DATA

	November 10, 2020	September 30, 2020	December 31, 2019
Common shares outstanding	49,778,374	49,778,374	50,975,874
Stock options outstanding	5,025,000	5,025,000	5,500,000
Total	54,803,374	54,803,374	56,475,874

OFF-BALANCE SHEET ARRANGEMENTS

Enterprise enters into short-term and long term leases with various vendors to provide office space and equipment in our normal course of operations. Our commitments under leases are disclosed in the table labeled “Contractual Obligations.” Enterprise does not have off-balance sheet arrangements as at September 30, 2020.

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. (2019 – Leonard Jaroszuk and Desmond O’Kell)

Nine months ended September 30	2020	2019
Management and consulting fees	\$493,790	\$740,964

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

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 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 valuers. 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, and 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.



RISKS AND UNCERTAINTIES

The Company's activities expose it to a variety of financial risks that arise as a result of certain financial instruments held such as credit risk, liquidity risk and market risk. The following presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

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. 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.

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, 2020, of \$489,384 (December 31, 2019 - \$43,569).

At September 30, 2020, \$815,000 or 25% of trade receivables was from three customers compared to \$1,225,000 or 23% from two customers as at December 31, 2019. As at September 30, 2020, an accrual of \$596,137 is included in total receivables for the Canada Emergency Wage Subsidy program. The grants are accrued when the Company is reasonably assured the grant conditions are met and recorded to offset the related salary and wage expenses.

	2020		2019	
Current (less than 90 days)	\$	2,650,285	\$	4,502,472
Past due (more than 90 days)		610,712		788,400
Total	\$	3,260,997	\$	5,290,872

Included in trade receivables past due (more than 90 days) is \$188,520 in receivables collected subsequent to September 30, 2020.



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, 2020, the Company generated 52% of revenue from three customers (2019 - 27% from two customers). For the period ended September 30, 2020, the Company generated 21% of revenue from two customers (2019 - 23% from three 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 gas liquids producers.

During this period of uncertainty, the Company is committed to maintaining 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 throughout the remainder of 2020. 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, excluding estimated interest and the impact of netting agreements at September 30, 2020:

Contractual Obligations September 30, 2020	Total	2020	2021	2022	2023	2024	After 5 years
Trade and other payables	\$988,654	\$988,654	\$-	\$-	\$-	\$-	\$-
Loans and borrowings	\$13,090,812	704,764	416,155	10,013,248	162,532	168,607	1,625,506
Total contractual obligations	\$14,079,466	\$1,693,418	\$416,155	\$10,013,248	\$162,532	\$168,607	\$1,625,506

Rent expense for short term leases and leases of low value assets expensed during for the three months ended September 30, 2020 was \$120,127. For the nine month period ended September 30, 2020, rent expense for short term leases and leases of low value assets was \$469,275. At September 30, 2020, the Company was committed to short term leases totalling \$2,209.

The Company has no significant commitments to capital resources other than those disclosed in this MD&A.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of the financial instruments. Management has assessed the effect of a 1% interest rate increase or decrease in the prime lending rate at September 30, 2020 to impact the Company's annual interest expense by approximately \$121,000 (December 31, 2019 - \$120,000). 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, 2020, the Company has met these objectives.



	September 30, 2020	December 31, 2019
Bank loan	\$9,602,823	\$-
Current portion of long-term debt	704,764	10,123,063
Long term debt	2,783,225	3,149,823
Net funded debt	13,090,812	13,272,886
Shareholders' equity	37,205,742	40,264,240
Total capital	\$50,296,554	\$53,537,126

During the quarter, the Company amended its bank loan facility. The term was extended for one year with an option to extend for a second year. The senior leverage ratio was changed to: September 30, 2020 – 4.00; December 31, 2020 – 4.00; March 31, 2021 – 3.75; and 3.50 thereafter. The interest rate remains unchanged at prime plus 3%. However if the senior leverage ratio is not met, the interest rate increases to prime plus 4% for the subsequent period. There was no change to the fixed charge coverage ratio. The maximum net capital expenditure limit was increased to \$1,750,000 per fiscal year.

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:

	September 30, 2020	Required	December 31, 2019	Required
Fixed charge coverage ratio	2.17	>1.25	2.33	> 1.25
Senior leverage ratio	3.41	<4.00	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 September 30, 2020, the Company is in compliance with all covenants.

Financial Instruments and Business Risks

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.

Other Risks

Other risks include:

- **Commodity pricing** – Fluctuation in the price of petroleum products is a business risk that impacts the Company directly. Oil and gas prices determine the economic feasibility of exploration and drilling activity in the oil and gas industry, to which the Company provides its services. High prices increase demand for the Company's services, while adverse or lower prices impact the Company's ability to generate revenues.

- **Production declines and new discoveries** – New discoveries of oil and gas reserves lead to an increase in the demand for the Company's services. On the other hand, declines in production result in decreased demands for the Company's services. Either situation directly impacts the operating results of the Company.

- **Access to capital** – The Company is dependent on access to equity or debt financing to fund capital expansion programs when operating cash flows are not sufficient to do so. To date, sufficient capital has been obtained to meet the Company's capital expansion and acquisition requirements. Any further capital expansion or acquisitions that cannot be funded through operating cash flows will require external financing, the availability of which is dependent on economic factors such as interest rates, investor and creditor confidence, and industry profitability.

- **Weather** – The Company operates heavy equipment, the movement of which requires reasonable weather and road conditions. In the spring season this is especially true, with spring breakup making many secondary roads impassable. Since heavy equipment cannot be moved under these conditions, the Company's operating results are subject to significant decreases during this time period. To mitigate this risk, the Company is diversifying its operations to other industries enabling the Company to perform services elsewhere during the spring. The Company also rents flameless heaters which are in greater demand during cold weather. The extent of cold weather and the duration of winter will have a significant impact on operating results. To mitigate this risk, the Company is diversifying the use of its blower capacity, contained within the flameless heaters, in warmer months.

- **Available workforce** – The ability to perform services is contingent upon sufficient and appropriately skilled staff being available. Obtaining personnel is crucial to the Company's ability to meet demand for its services.

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- **Recession Risk** – Although the current economic environment is recovering from the recent recession, the recovery is still fragile. Should economic environment slide into a double dip recession, demand for the Company's services would be reduced and have a negative impact on revenues and earnings. This would result in the Company continuing to implement cost control measures and possibly expand its services into other industries in order to manage through the recession. Management has already implemented some cost cutting measures and is continuing to review other areas for possible cost savings.
 - **Cyclical**ity – The Company has a significant portion of its revenues tied directly to the oil and gas industry in Western Canada. These revenues are subject to any cyclical
 - **Operating Risk and Liability Insurance** – The Company believes the insurance coverage it has in place is appropriate for the nature of its services provided and its associated risks, however such coverage may not be adequate. To mitigate this risk, management reviews the Company's insurance coverage on a regular basis.
 - **Competition** – The Company's ability to provide cost-effective, quality service to its customers is essential to help mitigate the Company's business risk of competition.
 - **Cyber Security** – The Company's operations may be disrupted or threatened by cyber attacks or viruses. The business requires the continued operation of information technology systems and network infrastructure. Management believes it has implemented reasonable security measures to prevent disability or failure. However, if the Company's systems cannot be recovered in a timely manner, the Company may be unable to meet critical business functions, which could have a material adverse effect on the business, financial condition, and results of operations.
 - **Pandemics, Natural Disasters Or Other Unanticipated Events** – The occurrence of pandemics, such as the recent outbreak of the novel coronavirus COVID-19; natural disasters, such as hurricanes, floods or earthquakes; or other unanticipated events, such as cyberattacks, fires, terrorist attacks or railway blockades, in any of the areas in which the Company, its customers or its suppliers operate could cause interruptions in the Company's operations. In addition, pandemics, natural disasters or other unanticipated events could negatively impact the demand for, and price of, oil and natural gas which in turn could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. In addition, and without limitation of the foregoing, the Company is also 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, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected jurisdictions; and future demand for commodities. 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 or products, and travel bans, and the Company's operations and service providers, and ability to carry out its ongoing business plan, could be adversely affected.

A change in any one of these factors could have a material impact on the financial performance of the Company. The above discussion of risks is not intended to be all-inclusive. The intention of this discussion is to highlight for the reader what are typical risks for this industry and readers should carefully consider, among other things, the risks described herein and in the Company's Annual Information Form dated March 11, 2020.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

Management's Annual Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting and has designed internal controls to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management has used a recognized framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to evaluate the effectiveness of internal controls over financial reporting.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has evaluated the design and operation of the Company's internal control over financial reporting as of September 30, 2020, and has concluded that such internal controls over financial reporting were effective. There are no material weaknesses that have been identified by management in this regard.

Management's Annual Report on Disclosure Controls

As of September 30, 2020, the Company's management evaluated the effectiveness of its disclosure controls and procedures as defined in the rules of the Canadian Securities Administrators. This evaluation is performed under the supervision of, and with the participation of, the Chief Executive Officer and the Chief Financial Officer. The Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective as of September 30, 2020.

NON-IFRS MEASURES

In addition to using financial measures prescribed by IFRS, certain non IFRS measures are used in this MD&A. Non-IFRS measures should not be construed as an alternative to net income or cash flow from operating activity as an indicator of financial performance or to cash flow from operating activities as a measure of liquidity and cash flow. Non-IFRS performance measures do not have any standardized meaning prescribed by IFRS and therefore the Company's methods of calculating non-IFRS measures may not be comparable to similar measures presented by other companies. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. This measure has been described and presented in the same manner in which the chief operating decision maker makes operating decisions and assesses performance.



EBITDA

EBITDA is defined as earnings before interest, taxes, depreciation and amortization, loss (gain) on disposal of property, plant and equipment, fair value adjustments, impairment losses and share-based payments. Management believes that EBITDA is a useful measure used by management when evaluating the Company's principal business activities.

Reconciliation of net (loss) income to EBITDA:

	Three months September 30, 2020	Three months September 30, 2019	Nine months September 30, 2020	Nine months September 30, 2019
Net loss and comprehensive loss	\$(1,555,677)	\$(2,297,554)	\$(2,895,946)	\$(3,838,631)
Add:				
Interest	230,697	205,885	788,651	633,253
Income taxes (recovery) expense	(115,562)	Nil	230,492	Nil
Depreciation and amortization	1,315,292	1,513,809	3,986,129	4,523,059
Loss on disposal of property, plant and equipment	136,675	45,477	180,777	129,600
Share-based payments	Nil	349,195	11,613	399,954
EBITDA	\$11,425	\$(183,188)	\$2,301,716	\$1,847,235

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017 restated ⁽¹⁾
Net loss from continuing operations	\$(5,035,705)	\$(8,366,169)	\$(2,330,261)
Add:			
Interest	890,138	437,257	1,234,989
Income tax expense	(81,136)	(1,756,084)	(476,381)
Depreciation and amortization	5,846,702	5,651,340	5,366,601
Loss on disposal of property, plant and equipment	859,730	228,012	405,945
Fair value adjustment on investment property	Nil	Nil	55,000
Impairment losses	Nil	3,887,300	Nil
Share-based payments	399,954	Nil	Nil
EBITDA	\$2,879,683	\$81,656	\$4,255,893

(1) In March 2018, the Company closed a transaction to divest substantially all the assets of CTHA. The net operations of CTHA, including the prior period, are presented as a single amount in the consolidated statements of income (loss) and comprehensive income (loss).



ADDITIONAL INFORMATION

Additional information, including the Company's Annual Information Form, can be found on SEDAR at www.sedar.com or the Company web site at www.enterprisegrp.ca.

MANAGEMENT TEAM / BOARD OF DIRECTORS

Leonard D. Jaroszuk, President, Chief Executive Officer and Director

Desmond O'Kell, Senior Vice President, Director and Corporate Secretary

Warren Cabral, CPA, CA, Chief Financial Officer

John Campbell, CPA, CA, CFA, CPA (Illinois), Lead Director

John Pinsent, FCPA, FCA, ICD.D., Director

Neil Darling, Director

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