



Management's Discussion and Analysis

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



MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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, 2021 and 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, 2021.

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. Since its inception in 2005, Enterprise has acquired, grown and sold several businesses. The Company's current operations are outlined below.

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.



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 October 1, 2020, Westar acquired 100% of the common shares outstanding of Johnston Power Sourcing Inc. (“JPSI”). JPSI was amalgamated into Westar on January 1, 2021.

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 the 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 natural gas and gas liquids producers.

The downturn in the energy industry, compounded by COVID-19, has significantly reduced activity throughout Enterprise's business sector. Reduced activity from COVID-19 began at the end of the first quarter of fiscal 2020 and has continued throughout 2020 and into 2021. Although COVID-19 protocols have allowed Enterprise's customers to return to work, activity levels did not return to pre COVID-19 levels. Enterprise's customers have also modified their behaviours and requirements due to COVID-19. Enterprise has been right sizing its fleet of equipment to keep up with the changing needs and demands of its customers.

Over the past few years, Enterprise has been updating and modernizing its systems and processes to be effectively used in a cloud computing environment. The Company's fleet tracking, business intelligence and finance systems have all been modernized and, as a result, Enterprise was able to work effectively and adapt to COVID-19 protocols with respect to the workplace, social distancing and working remotely.

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.

In addition to the use of government programs, Enterprise is actively controlling and reducing costs through layoffs, compensation adjustments, premises consolidation, limiting business expenses and travel, contract re-negotiations and postponement of bonuses. It is uncertain if existing government programs will continue or if new programs will be put in place. The Company continues to monitor changes to all government programs and will alter its cost structure accordingly if required.

Despite reduced activity, the Company remains committed to maintaining a 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.

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



OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

	Three months Sept 30, 2021	Three months Sept 30, 2020	Nine months Sept 30, 2021	Nine months Sept 30, 2020
Revenue	\$3,916,528	\$2,505,840	\$13,001,357	\$11,636,960
Gross margin	\$1,196,418	\$352,221	\$4,466,484	\$3,407,573
Gross margin %	31%	14%	35%	29%
EBITDA ⁽¹⁾	\$725,496	\$11,425	\$3,243,839	\$2,301,716
EBITDA % ⁽¹⁾	19%	0%	25%	20%
Net loss and comprehensive loss	\$(969,492)	\$(1,555,677)	\$(2,502,402)	\$(2,895,946)
Loss per share	\$(0.02)	\$(0.03)	\$(0.05)	\$(0.06)

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

- Revenue for the three months ended September 30, 2021, was \$3,916,528 compared to \$2,505,840 an increase of \$1,410,688. Revenue for the nine months ended September 30, 2021 was \$13,001,357 compared to \$11,636,960.
- Gross margin for the three months ended September 30, 2021, was \$1,196,418 compared to the prior period of \$352,221, an increase of \$844,197. On a percentage basis, gross margin for the three months increased by 17% over the prior period to 31%. EBITDA was \$725,496 for the three months ended September 30, 2021, compared to EBITDA of \$11,425 in the prior period, an increase of \$714,071. Gross margin for the nine months ended September 30, 2021, was \$4,466,484 compared to the prior period of \$3,407,573, an increase of \$1,058,911. On a percentage basis, gross margin for the nine months increased by 6% over the prior period to 35%. EBITDA was \$3,243,839 for the nine months ended September 30, 2021, compared to of \$2,301,716 in the prior period, an increase of \$942,123.
- Effective September 7, 2021, the Company changed lenders and replaced its bank loan facility with a \$30,000,000 revolving line of credit. There are no required principal repayments until the due date, September 7, 2024. The facility is subject to certain borrowing restrictions and bears interest at the 10.00%. The facility is secured by a first charge on all the Company's assets except those secured with other lenders. The facility has an option to extend for an additional twelve months if both parties mutually agree on the terms. The flexibility of the new facility, gives the Company the ability to meet the needs of our customers more quickly through increased capital asset spending and organic growth, and to pursue acquisition targets more aggressively.
- For the nine months ended September 30, 2021, the company generated cash flow from operations of \$3,467,365 which is consistent with the prior period of \$3,558,993. Also for the nine months ended September 30, 2021, the Company purchased and cancelled 1,407,000 shares at a cost of \$316,239, reducing the share capital account by \$2,010,702.
- Since the initiation of the share buyback program, the Company has purchased and cancelled 7,466,500 shares at a cost of \$2,196,942 and as a result, the Company's share capital account has been reduced by \$10,570,683 over the entire share buyback program. Enterprise believes its stock remains undervalued and will continue to re-invest positive cash flow to buy-back shares to enhance shareholder value.
- The Company continues to utilize a combination of cash flow and debt to right-size and modernize its equipment fleet to meet customer demands. During the nine months ended September 30, 2021, the Company purchased \$3,190,054 of capital assets, primarily for natural gas power generation equipment and upgrading the energy efficiency of existing equipment. The Company also sold equipment during the nine months ended September 30, 2021, and received \$1,098,551 of proceeds from those sales which were re-invested in new equipment.
- The downturn in the energy industry, compounded by COVID-19, has significantly reduced activity throughout Enterprise's business sector. Reduced activity from COVID-19 began at the end of the first quarter of 2020, continued throughout 2020 and into 2021. Although COVID-19 protocols have allowed Enterprise's customers to return to work, activity levels have not yet returned to pre COVID-19 levels. Enterprise's customers have also



modified their behaviours and requirements due to COVID-19. Over the past few years, Enterprise has been updating and modernizing its systems and processes to be effectively used in a cloud computing environment. The Company's fleet tracking, business intelligence and finance systems have all been modernized and, as a result, Enterprise was able to work effectively and adapt to COVID-19 protocols with respect to the workplace, social distancing and working remotely.

- 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.

Selected Consolidated Expenses

Selected Consolidated Expenses:	Three months Sept 30, 2021	Three months Sept 30, 2020	Nine months Sept 30, 2021	Nine months Sept 30, 2020
General and administrative	\$470,922	\$340,796	\$1,222,645	\$1,105,857
Finance expense	\$395,785	\$230,697	\$809,577	\$788,651
Depreciation of property, plant and equipment	\$1,300,131	\$1,181,869	\$3,992,743	\$3,548,819
Gain (loss) on sale of property, plant and equipment	\$105,114	\$(136,675)	\$(358,910)	\$(180,777)

General and administrative expenses

General and administrative expenses for the three months ended September 30, 2021, were \$470,922, an increase of \$130,126. The increase is largely reflective of a return to near normalized activity during the quarter compared to the reduced activity that resulted from the impact of Covid-19, which peaked in the second quarter of 2020. For the nine months ended September 30, 2021 general and administrative expenses were \$1,222,645, an increase of \$116,788 from the prior period. Through utilizing the Canada Emergency Wage Subsidy program and the Canada Emergency Rent Subsidy program, the Company recorded \$220,784 and \$35,956 against general and administrative costs for the three and nine months ended September 30, 2021 respectively.

Finance expense

Finance expense includes interest charges on all outstanding debt including: the loan facility with PNC, leases, mortgage facilities, vendor take-back loans 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, 2021, increased by \$165,088 compared to the prior period. This increase is from the settlement of the PNC revolver and the expensing of all associated prepaid borrowing costs of that facility. For the nine month period ended September 30, 2021, finance expense on long term debt increased to \$809,577 from \$788,651 compared to the prior year.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment for the three months ended September 30, 2021, was \$1,300,131, an increase of \$118,262 compared to the prior period. For the nine month period, depreciation of property plant and equipment was \$3,992,743, an increase of \$443,924 over the prior period. The increase is largely due to efforts to right-size and modernize the Company's equipment fleet to meet customer demands, primarily through purchases of natural gas power generation equipment and upgrading the energy efficiency of existing equipment.

Gain (loss) on sale of property, plant and equipment

For the nine months ended September 30, 2021, the Company sold property, plant and equipment with net book value of \$1,413,410 and received proceeds of \$1,098,551. Auction results in the first quarter to 2021 were lower than the Company anticipated resulting in a loss of \$358,910 for the nine months ended September 30, 2021.



SELECTED CONSOLIDATED FINANCIAL INFORMATION

	Three months Sept 30, 2021	Three months Sept 30, 2020	Nine months Sept 30, 2021	Nine months Sept 30, 2020
Revenue	\$3,916,528	\$2,505,840	\$13,001,357	\$11,636,960
EBITDA ⁽¹⁾	\$725,496	\$11,425	\$3,243,839	\$2,301,716
Loss before income tax	\$(969,492)	\$(1,671,239)	\$(2,502,401)	\$(2,665,454)
Net loss and comprehensive loss	\$(969,492)	\$(1,555,677)	\$(2,502,401)	\$(2,895,946)
Basic and diluted loss per share	\$(0.02)	\$(0.03)	\$(0.05)	\$(0.06)
Weighted average common shares outstanding – basic and diluted	49,041,461	50,215,281	49,140,284	50,380,471
Total common shares outstanding	48,511,374	49,778,374	48,511,374	49,778,374
Total assets	\$50,310,759	\$53,863,604	\$50,310,759	\$53,863,604
Total liabilities	\$18,024,088	\$16,657,862	\$18,024,088	\$16,657,862
Total equity	\$32,286,671	\$37,205,742	\$32,286,671	\$37,205,742

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



	Year ended December 31, 2020 ⁽³⁾	Year ended December 31, 2019 ⁽⁴⁾	Year ended December 31, 2018 ⁽²⁾⁽⁴⁾
Revenue	\$15,520,105	\$19,521,797	\$20,479,612
EBITDA ⁽¹⁾	\$3,703,808	\$2,879,683	\$81,656
Loss before income tax	\$(4,727,182)	\$(5,116,841)	\$(10,122,253)
Net loss from continuing operations	\$(4,444,719)	\$(5,035,705)	\$(8,366,169)
Net loss and comprehensive loss	\$(5,033,709)	\$(5,035,705)	\$(5,812,503)
Basic and diluted loss per share	\$(0.10)	(\$0.09)	(\$0.11)
Weighted average common shares outstanding – basic	50,197,352	54,269,996	55,259,974
Weighted average common shares outstanding – diluted	50,197,352	54,269,996	55,259,974
Total common shares outstanding	49,428,374	50,975,874	55,147,374
Total assets	\$52,251,162	\$58,290,708	\$60,128,999
Total liabilities	\$17,244,434	\$18,026,468	\$14,508,479
Total equity	\$35,006,728	\$40,264,240	\$45,620,520

(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 net loss from discontinued operations in the amount of \$588,990 due to bad debt expense from CTHA for the year ended December 31, 2020.

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



Cash Flow Information

A summary of cash flow information for the nine months ended September 30, 2021, and 2020, is set out below:

Cash Flow Information	Nine months September 30, 2021	Nine months September 30, 2020
Net cash provided by operating activities	\$3,467,365	\$3,558,993
Net cash used in financing activities	\$(1,071,909)	\$(1,662,388)
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

Operating activities provided net cash of \$3,467,367 compared to \$3,558,993 in the prior period. Net cash provided by operating activities includes \$1,877,242 of funds received/accrued from the CEWS and CERS government programs.

Net cash used in financing activities reflects regular debt reduction payments of \$1,027,282 and cash used for the share buyback program of \$316,239. The increases were offset by net proceeds of \$1,012,873 from the bank loan facility.

Net cash used in investing activities reflects \$2,911,362 paid to purchase property, plant and equipment and \$1,098,551 of cash received from the sale of equipment. The majority of equipment purchased during the period was to meet customer demands.

SUMMARY OF QUARTERLY RESULTS

	2021			2020			2019	
	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31
Revenue	\$3,916,528	\$3,225,543	\$5,859,287	\$3,883,145	\$2,505,840	\$2,144,570	\$6,986,550	\$5,349,256
Net (loss) income for the period	\$(969,492)	\$(1,626,547)	\$93,639	\$(2,137,763)	\$(1,555,677)	\$(1,844,963)	\$504,695	\$(1,197,074)
(Loss) earnings per share - Basic and Diluted	\$(0.02)	\$(0.03)	\$0.00	\$(0.04)	\$(0.03)	\$(0.04)	\$0.01	\$(0.02)

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

OUTSTANDING SHARE DATA

	November 10, 2021	September 30, 2021	December 31, 2020
Common shares outstanding	47,999,374	48,511,374	49,428,374
Stock options outstanding	4,881,000	4,881,000	5,025,000
Total	52,880,374	53,392,374	54,453,374



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, 2021.

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

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.
- 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. **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. In determining estimated residual value, adjustments may be required by the Company to reflect differences between the specific assets carried by the Company and the similar assets used to indicate the fair value less costs of disposal, creating a degree of uncertainty. It is possible that future results could be materially affected by changes in the above factors.
- ii. **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. Adjustments may be required by the Company to reflect differences between the value of specific assets carried by the Company and the similar assets used to indicate the fair value less costs of disposal, creating a degree of uncertainty. 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.
- iii. **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.
- iv. **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.
- v. **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.
- vi. **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.
- vii. **Leases**
When the Company enters into lease contracts the lease rate and term may not be readily determinable.

Rates with landlords are often not explicit in the contract. As such, the Company uses its incremental borrowing rate to discount the cash flows related to the lease and determine the fair value. Optional terms to extend or terminate a lease may be contractually defined. Management estimates what the impact the option will have on the term of the lease and adjusts the carrying value of the lease accordingly.

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. To mitigate these risks, the Company has utilized certain Canadian Government assistance programs designed to assist business 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.

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 (Dec 2020 - \$16,025).

At September 30, 2021, \$1,607,000 or 41% of trade receivables was from three customers compared to \$866,000 or 22% from two customers as at December 31, 2020. As at September 30, 2021, an accrual of \$440,390 (Dec 2020 - \$629,720) and \$128,676 (Dec 2020 - \$150,316) 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

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 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. 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, 2021:

Contractual Obligations September 30, 2021	Total	2022	2023	2024	2025	2026	After 5 years
Trade and other payables	\$1,690,509	\$1,690,509	\$-	\$-	\$-	\$-	\$-
Loans and borrowings	13,952,674	1,182,595	598,586	10,319,075	168,607	174,953	1,450,555
Total contractual obligations	\$15,643,183	\$2,873,104	\$598,586	\$10,319,075	\$168,607	\$174,953	\$1,450,555

For 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 month period ended September 30, 2021, rent expense for short term leases and leases of low value assets expensed was \$459,101 (2020 - \$469,275). At September 30, 2021, the Company was committed to short term leases totalling \$569,084 (2020 - \$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, 2021, to impact the Company's annual interest expense by approximately \$23,000 (Dec 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	\$46,293,345	\$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 is subject to financial covenants based on forecasted revenue, EBITDA, and tangible net worth. As at September 30, 2021, the Company is in compliance with the required 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.
- **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.
- **Cyclicality** – 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 cyclicality of the industry. To mitigate this risk the Company continues to diversify its customer base and revenue streams.
- **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 10, 2021.

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, 2021, 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, 2021, 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, 2021.

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 to EBITDA:

	Three months September 30, 2021	Three months September 30, 2020	Nine months September 30, 2021	Nine months September 30, 2020
Net loss from operations	\$(969,492)	\$(1,555,677)	\$(2,502,402)	\$(2,895,946)
Add:				
Interest	395,785	230,697	809,577	788,651
Income taxes expense (recovery)	Nil	(115,562)	Nil	230,492
Depreciation and amortization	1,404,317	1,315,292	4,552,669	3,986,129
(Gain) loss on disposal of property, plant and equipment	(105,114)	136,675	358,910	180,777
Impairment of property, plant and equipment	Nil	Nil	Nil	Nil
Share-based payments	Nil	Nil	25,085	11,613
EBITDA	\$725,496	\$11,425	\$3,243,839	\$2,301,716



	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018 ⁽¹⁾
Net loss from continuing operations	\$(4,444,719)	\$(5,035,705)	\$(8,366,169)
Add:			
Interest	998,309	890,138	437,257
Income taxes recovery	(282,463)	(81,136)	(1,756,084)
Depreciation and amortization	6,118,298	5,846,702	5,651,340
Loss on disposal of property, plant and equipment	558,927	859,730	228,012
Impairment of property, plant and equipment	743,843	Nil	3,887,300
Share-based payments	11,613	399,954	Nil
EBITDA	\$3,703,808	\$2,879,683	\$81,656

- (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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