ENTERPRISE OILFIELD GROUP, INC.

Consolidated Interim Financial Statements

(Unaudited)

For the three months ended March 31, 2011 and 2010

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ENTERPRISE OILFIELD GROUP, INC.

Consolidated Interim Statements of Financial Position

(Unaudited)

	March 31, 2011	December 31, 2010 (note 13)	January 1, 2010 (note 13)
Assets			
Cash and cash equivalents	$ -	$ 392,032	$ 1,667,547
Trade and other receivables	3,572,851	2,729,006	4,011,810
Unbilled revenue	247,349	196,320	-
Inventories	712,731	714,846	706,155
Deposits and prepaid expenses	261,603	216,030	357,442
Total current assets	4,794,534	4,248,234	6,742,954
Property, plant and equipment (note 6)	9,304,366	9,531,420	11,121,512
Intangible assets (note 7)	873,000	909,375	1,054,875
Marketable securities	72,000	40,000	32,000
Deferred tax assets	-	-	2,099,700
Total non-current assets	10,249,366	10,480,795	14,308,087
Total assets	$ 15,043,900	$ 14,729,029	$ 21,051,041
Liabilities			
Bank indebtedness (note 9)	$ 90,098	$ -	$ -
Trade and other payables	2,110,555	1,265,155	2,277,882
Term loan facility (note 9)	3,550,559	3,599,023	-
Loans payable (note 9)	776,619	1,048,482	-
Current portion of long term loans and borrowings (note 9)	776,611	229,596	5,569,331
Total current liabilities	7,304,442	6,142,256	7,847,213
Long term loans and borrowings (note 9)	290,201	828,655	116,440
Total non-current liabilities	290,201	828,655	116,440
Total liabilities	7,594,643	6,970,911	7,963,653
Equity			
Share capital (note 8)	24,945,961	24,945,961	24,945,961
Warrants (note 10 (b))	47,796	47,796	78,009
Contributed surplus	1,666,309	1,621,078	1,364,017
Deficit	(19,250,809)	(18,864,717)	(13,300,599)
Accumulated other comprehensive income	40,000	8,000	-
Total equity	7,449,257	7,758,118	13,087,388
Total equity and liabilities	$ 15,043,900	$ 14,729,029	$ 21,051,041

Going concern uncertainty (note 2)

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

ENTERPRISE OILFIELD GROUP, INC.

Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited)

For the three months ended March 31

	2011	2010 (note 13)
Revenue	**$ 4,230,976**	$ 5,269,777
Direct expenses	**(3,231,014)**	(4,824,595)
General and administrative expenses	**(765,410)**	(712,517)
Depreciation and amortization	**(339,003)**	(417,357)
Gain (loss) on sale of property, plant and equipment	**2,232**	(509)
Other income (expense)	**25,563**	(1,859)
	(76,656)	(687,060)
Finance expenses	**(309,436)**	(71,732)
Loss before income tax	**(386,092)**	(758,792)
Income tax recovery		
Deferred	**-**	(208,000)
Loss for the period	**(386,092)**	(550,792)
Other comprehensive income:		
Unrealized gain on marketable securities	**32,000**	-
Comprehensive income for the period	**32,000**	-
Loss and comprehensive loss for the period	**$ (354,092)**	$ (550,792)
Basic and diluted loss per share	**$ (0.01)**	$ (0.01)
Weighted average number of basic and diluted common shares outstanding:	**48,681,700**	48,681,700

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

ENTERPRISE OILFIELD GROUP, INC.

Consolidated Interim Statements of Cash Flows

(Unaudited)

For the three months ended March 31

	2011	2010
Cash flows from operating activities:		
Loss for the period	**$ (386,092)**	$ (550,792)
Adjustments for:		
Depreciation of property, plant and equipment	**302,628**	380,982
Amortization of intangible assets	**36,375**	36,375
(Gain) loss on sale of equipment	**(2,232)**	509
Share-based payments	**45,231**	-
Change in non-cash working capital (note 12)	**(92,933)**	(1,159,726)
Finance expenses	**309,436**	71,432
Deferred income tax recovery	**-**	(208,000)
Net cash provided by (used in) operating activities	**212,413**	(1,429,220)
Cash flows from financing activities:		
Increase in bank indebtedness	**90,098**	-
Proceeds from finance lease liabilities (note 9 (e))	**65,452**	642,411
Interest paid on loans and borrowings	**(268,114)**	(71,432)
Repayment of term loan facililty (note 9 (c))	**(83,333)**	-
Repayment of loans payable (note 9 (f))	**(278,316)**	-
Repayment of finance lease liabilities (note 9 (e))	**(56,892)**	(283,524)
Net cash (used in) provided by financing activities	**(531,105)**	287,455
Cash flows from investing activities:		
Purchase of property, plant and equipment	**(100,159)**	(115,125)
Proceeds on sale of equipment	**26,819**	88,863
Net cash used in investing activities	**(73,340)**	(26,262)
Change in cash and cash equivalents	**(392,032)**	(1,168,027)
Cash and cash equivalents, beginning of period	**392,032**	1,667,547
Cash and cash equivalents, end of period	**$ -**	$ 499,520

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

ENTERPRISE OILFIELD GROUP, INC.

Consolidated Interim Statements of Changes in Equity

(Unaudited)

For the three months ended March 31

	Number of Common shares	Share Capital	Warrants	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
Balance at January 1, 2010	48,681,700	$24,945,961	$ 78,009	$ 1,364,017	$ -	$(13,300,599)	$13,087,388
Loss for the period	-	-	-	-	-	(550,792)	(550,792)
Balance as at March 31, 2010	48,681,700	$24,945,961	$ 78,009	$ 1,364,017	$ -	$(13,851,391)	$12,536,596
Balance as at December 31, 2010	48,681,700	$24,945,961	$ 47,796	$ 1,621,078	$ 8,000	$(18,864,717)	$7,758,118
Unrealized gain on marketable securities	-	-	-	-	32,000	-	32,000
Share-based payments	-	-	-	45,231	-	-	45,231
Loss for the period	-	-	-	-	-	(386,092)	(386,092)
Balance as at March 31, 2011	48,681,700	$24,945,961	$ 47,796	$ 1,666,309	$ 40,000	$(19,250,809)	$7,449,257

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

1. Reporting entity

Enterprise Oilfield Group, Inc. ("Enterprise" or the "Company") was incorporated under the *Alberta Business Corporations Act* on March 23, 2004 and is a company domiciled in Canada. The Company is publicly traded on the TSX Exchange under the symbol "E", effective August 13, 2007. The Company is a construction services company operating in the energy, utility and transportation infrastructure industry.

A significant portion of the Company's operations relate to energy production customers in Alberta. The Company's earnings follow the seasonal pattern of Alberta's oil and gas exploration industry whereby activity peaks in the winter months and declines during the spring thaw. During spring thaw roads become incapable of supporting the heavy equipment needed to drill and tie-in oil and gas wells. As a result, demand for these types of services generally is the highest in the fall and winter quarters and the lowest in the spring quarter. Services provided to underground utility and directional drilling customers are provided more evenly throughout the year but the spring quarter is also the slowest quarter of the year.

The financial statements of the Company as at and for the periods ended March 31, 2011 and 2010 are comprised of the Company and its wholly owned subsidiaries. The head office, principal address and registered and records office of the Company are located at #2, 64 Riel Drive, St. Albert, Alberta, T8N 5B3.

2. Going concern uncertainty

These consolidated unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards (*IFRS*) and its interpretations adopted by the International Accounting Standards Board (IASB) on a going concern basis which contemplate that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments as they become due in the normal course of business.

Over the past two fiscal years, the Company has experienced net losses and negative cash flows from operations. The Company has incurred a net loss of $386,092 for the three months ended March 31, 2011 and a net loss of $5,564,118 for the year ended December 31, 2010 and has a working capital deficit of $2,509,908 at March 31, 2011 and $1,894,022 at December 31, 2010.

The working capital deficit and annual operating losses over the past two fiscal years and uncertainty relating to the pipeline and facilities construction and maintenance activity, create significant uncertainty as to the ability of the Company to continue as a going concern. The Company's ability to continue as a going concern is dependent on its ability to generate positive cash flow and sustained profitability from operations going forward.

In addition to its ongoing working capital requirements, the Company must secure sufficient funding for existing commitments including a term facility of $3,655,167 maturing November 23, 2011 and a mortgage of $559,000 maturing January 1, 2012 (note 9).

In recognition of these circumstances, the Company has secured a bank revolving line of credit of $1,050,000 during the three months ended March 31, 2011. Also in May 2011, the Company entered into a financing arrangement with a Canadian chartered bank to secure a $1,800,000 non-revolving demand loan. The facility is secured by specific equipment, a general security agreement on all assets of the Company and guarantees by the Company and an officer and Director of the Company. The interest rate on the facility is lender prime plus 2.0%. The loan is repayable over 60 months with principal payments of $30,000 plus interest. Proceeds of the loan will be used to pay down the existing 24% term loan facility.

In June 2011, the Company sold one property, a condominium building in the Town of Slave Lake. The proceeds from the sale were used to pay down the existing mortgage secured by two properties (note 9 (d)) by $169,000 to $390,000 with the remaining proceeds of approximately $131,000, applied towards closing costs and working capital.

These undertakings, while significant, are not sufficient in itself to enable the Company to fund all aspects of its operations and accordingly, management is continuing to dispose of underutilized assets, streamline operations, actively seek merger opportunities and is pursuing other financing alternatives to fund the Company's operations so it can continue as a going concern. Management plans to secure necessary financing through the issue of new equity and/or debt instruments. Nevertheless, there is no assurance that these initiatives will be successful.

2. Going concern uncertainty continued:

Accordingly, these financial statements do not reflect any adjustments to the carrying values of the assets and liabilities and in the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

3. Basis of preparation

(a) Statement of compliance

The Company has adopted *International Financial Reporting Standards ('IFRS')* for the year ending December 31, 2011. These consolidated unaudited interim financial statements have been prepared in accordance with *International Financial Reporting Standards (IFRS)* applicable to the preparation of interim financial statements including *IAS34* and *IFRS1*.

These are the Company's first *IFRS* consolidated unaudited interim financial statements. Previously the Company prepared its consolidated audited annual and consolidated interim unaudited financial statements in accordance with Canadian Generally Accepted Accounting Principles ('GAAP'). *IFRS 1 First-time Adoption of International Financial Reporting Standards* has been applied in the preparation of these financial statements. An explanation of how the transition to *IFRS*s has affected the reported financial position and comprehensive income is provided in note 13.

These consolidated unaudited interim financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010.

The financial statements were authorized for issue by the Board of Directors on June 13, 2011.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

(i) financial instruments at fair value through profit or loss are measured at fair value
(ii) available for sale financial assets are measured at fair value

The methods used to measure fair values are discussed in note 5.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's presentation and functional currency.

(d) Critical accounting estimates and judgements

The preparation of financial statements in conformity with *IFRS* requires management to make judgements, 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 and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 5 – valuation of financial instruments
- Note 6 – valuation of property, plant and equipment
- Note 7 – valuation of intangible assets
- Note 10 – measurement of share-based payments

4. Significant accounting policies

(a) Basis of consolidation and preparation of consolidated financial statements

(i) Subsidiaries

Included in these consolidated unaudited interim financial statements are the accounts of Enterprise Oilfield Group, Inc. and its wholly-owned subsidiaries: Enterprise Energy Services Inc. ("EES"), Enterprise Pipeline Company Inc. ("EPC"), and T.C. Backhoe & Directional Drilling Ltd. ("TCB").

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

All significant inter-entity balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated unaudited interim financial statements. The accounting policies set out below have been applied consistently to all years presented in these financial statements, and have been applied consistently by the Company and its subsidiaries.

(b) Cash and cash equivalents

Cash and cash equivalents include balances with Canadian chartered banks and short-term investments with maturities of three months or less at acquisition.

(c) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

The Company does not enter into derivative financial instruments.

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, marketable securities, bank overdrafts, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are classified and measured as described below.

(i) Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company has designated cash and cash equivalents at fair value through profit or loss.

4. Significant accounting policies continued:

(ii) Available-for-sale financial assets

The Company's marketable securities are classified as available-for sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes, other than impairment losses, are recognized in other comprehensive income. When the investment is derecognized, the cumulative gain or loss in equity is transferred to profit and loss.

(iii) Other

Other non-derivative financial instruments, such as trade and other receivables, loans and borrowings, and trade and other payables, are measured at amortized cost using the effective interest method, less any impairment losses.

The fair value measurement disclosures include classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements.

- **Level 1 Fair Value Measurements**

  Level 1 fair value measurements are based on unadjusted quoted market prices.

- **Level 2 Fair Value Measurements**

  Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices.

- **Level 3 Fair Value Measurements**

  Level 3 fair value measurements are based on unobservable information.

(d) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment consists of the purchase price, plus costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net in the statement of comprehensive income.

4. Significant accounting policies continued:

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits will flow to the Company and the cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of asset less its residual value. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits of the asset.

The estimated useful lives for the current and comparative period are as follows:

Buildings	- 25 years
Office furniture and equipment	- 5 years
Computers and communication equipment	- 4 years
Small tools and equipment	- 5 years
Light automotive equipment	- 5 years
Heavy automotive equipment	- 10 years
Construction equipment	- 10 years
Leasehold improvements	- over the remaining term of lease

The useful lives, depreciation methods and residual values are reviewed at each reporting date to ensure that these are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

(f) Intangible assets

Intangible assets that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Customer lists are recorded at cost and amortized on a straight line basis over their estimated life of ten years.

(g) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(h) Inventories

Inventories of supplies and parts are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle.

Inventories of supplies and parts expensed in direct expenses during the three months ended March 31, 2011 is $282,382 ($239,497 - three months ended March 31, 2010).

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

4. Significant accounting policies continued:

(i) Impairment

(i) Financial assets

Financial asset are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets are impaired can include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency of payments; or
- it is probable that the borrower will enter bankruptcy or financial re-organization; or
- significant or prolonged decline in the market value of investments below its cost

For certain categories of financial assets, such as accounts receivable and prepayments, the Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss or credited against the allowance account.

(ii) Non-financial assets

Non-financial assets, other than deferred tax assets, are reviewed for impairment at each reporting date to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing the value in use, the estimated future cash flows attributable to the assets are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating-unit, or CGU").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4. Significant accounting policies continued:

(j) Share-based payments

The fair value of options granted to employees is measured at the grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period. The fair value is recognized as compensation expense within general and administrative expenses, with a corresponding increase in contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

The consideration received on the exercise of stock options is credited to share capital. When options are exercised, previously recorded compensation is transferred from contributed surplus to share capital to fully reflect the consideration for the shares issued.

Awards of warrants to agents are accounted for using the fair value method and result in share issue costs and a credit to contributed surplus when the warrants are issued. Any compensation paid on exercise of the warrants is credited to share capital.

(k) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense. Provisions are not recognized for future operating losses.

(l) Revenue recognition

The Company performs the majority of its projects under unit price, cost plus or fixed price contracts. Revenues from short-term contracts are recognized as the work is performed and related costs incurred provided all significant obligations have been satisfied and collection is reasonably assured. Revenues from long-term service contracts are recognized using the percentage-of-completion method based on the percentage of total costs incurred to total expected costs. If the current estimated costs to complete indicate a loss on a contract, the loss is recognized immediately. Revisions in costs, and earnings or loss estimates during the course of the contract, are reflected during the accounting period in which the facts that cause the revision become known. Unbilled revenue represents the excess of revenue earned under the percentage of completion method over billings rendered.

Revenue in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities.

(m) Finance expenses and income

Finance expense comprises interest expense and loan transaction costs on borrowings and impairment losses recognized on financial assets.

Interest income is recognized as it accrues in profit or loss, using the effective interest method.

(n) Income tax

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

4. Significant accounting policies continued:

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(o) Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees and share purchase warrants.

(p) Accounting standards issued but not yet applied

In May 2011, the *IASB* issued the following standards which have not yet been adopted by the Company: *IFRS 9, Financial Instruments (IFRS 9), IFRS 10, Consolidated Financial Statements (IFRS 10), IFRS 11, Joint Arrangements (IFRS 11), IFRS 12, Disclosure of Interests in Other Entities (IFRS 12), IAS 27, Separate Financial Statements (IAS 27), IFRS 13, Fair Value Measurement (IFRS 13)* and amended *IAS 28, Investments in Associates and Joint Ventures (IAS 28)*. Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

The following is a brief summary of the new standards:

IFRS 9 – Financial Instruments

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in *IAS 39* for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. *IFRS 9* also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in *IAS 39, Financial Instruments – Recognition and Measurement,* except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

4. Significant accounting policies continued:

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing *IFRS*, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. I*FRS 10* replaces *SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.*

IFRS 11 - Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing *IFRS*, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. *IFRS 11* supersedes *IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.*

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all *IFRS* standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing *IFRS*, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including *IAS 27, Separate Financial Statements (IAS 27)*, and *IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27* addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. *IAS 28* has been amended to include joint ventures in its scope and to address the changes in *IFRS 10 – 13.*

5. Financial risk management

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.

This note 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 managements' 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.

5. Financial risk management continued:

(a) 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 from customers. This risk is elevated in the current year similar to the prior year due to the impact of the current credit market and economy on its customers. The Company's maximum exposure is the value of its accounts receivable. However, to mitigate this risk the Company regularly reviews customer credit limits.

Trade and other receivables

The Company has accounts receivable from customers in the oil and gas industry, as well as the utilities and infrastructure industries. 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 accounts receivable monthly to identify any amounts which are past due and considers if they are impaired. This assessment is done on an invoice by invoice basis.

The Company does not anticipate any default as it transacts with creditworthy customers and management does not expect any losses from non-performance by these customers. As such a provision for doubtful accounts has not been recorded for March 31, 2011 or for December 31, 2010.

The majority of the accounts receivable relates to sub division underground utilities installation for large energy and utility providers and as such invoices outstanding over 90 days are not uncommon. Management is not aware of any uncollectable receivables in this category.

Included in accounts receivable at March 31, 2011, was $2,241,964 or 58% of total accounts receivable owing from six customers due to the significant contracts in progress at March 31, 2011. December 31, 2010 was $1,687,965 or 62% from six customers.

At March 31, 2011 and December 31, 2010, the Company's maximum exposure to credit risk in this area was as follows:

	March 31, 2011	December 31, 2010
Current (less than 90 days)	**$ 3,355,486**	$ 2,316,257
Past due (more than 90 days)	**217,365**	412,749
Total	**$ 3,572,851**	$ 2,729,006

Cash and cash equivalents consist of cash bank balances held in both interest and non-interest bearing accounts. The Company manages credit exposure of cash by selecting financial institutions with high credit ratings.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

5. Financial risk management continued:

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements at March 31, 2011:

Non-derivative financial liabilities:	Carrying amount	Contractual cash flows	Less than one year	One - two years	Two-five years	More than five years
Bank indebtedness	$ 90,098	$ 90,098	$ 90,098	$ -	$ -	$ -
Trade and other payables	2,110,555	2,110,555	2,110,555	-	-	-
Term loan facility	3,550,559	4,919,919	4,919,919	-	-	-
Current loans payable	776,619	816,619	816,619	-	-	-
Long term loans and borrowings including current portion	1,066,812	1,178,071	872,115	205,905	100,051	-
Operating lease commitments	-	454,343	394,912	59,431	-	-
	$ 7,594,643	$ 9,569,605	$ 9,204,218	$ 265,336	$ 100,051	$ -

The Company may be exposed to liquidity risk if it is unable to collect its trade account receivable balances on a timely basis, which in turn could impact the Company’s long-term ability to meet commitments under its credit facility, or if the credit facility is not renewed requiring the Company to make scheduled principal repayments. The Company’s customers are subject to an internal credit review along with ongoing monitoring of the amount and age of balances in order to minimize the risk of non-payment. Long and short term cash flow forecasts are prepared and monitored to ensure adequate liquidity. See note 2 for further information in relation to liquidity.

(c) 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. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing returns. As at March 31, 2011, the Company is not exposed to interest risk as the Company has not drawn on its available financing facilities that have a floating interest rate.

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 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 (note 2). Management considers its capital structure to include net debt and adjusted capital of the Company, as reflected in the table below:

The Company’s objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to provide an adequate return to shareholders; and,
- to finance its operations and growth strategies.

In order to maintain or adjust the capital structure, the Company may issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the net debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt (as shown in the balance sheet less accounts payable and accrued liabilities), less cash and cash equivalents and less bank indebtedness related to trade payables. Adjusted capital comprises all components of equity (share capital, contributed surplus, warrants and deficit), other than amounts in accumulated other comprehensive income relating to the marketable securities.

5. Financial risk management continued:

		March 31, 2011		December 31, 2010
Total debt	**$**	**5,393,990**	$	5,705,756
Less: cash and cash equivalents		**-**		(392,032)
Net debt		**5,393,990**		5,313,724
Total equity		**7,449,257**		7,758,118
Less: amounts in accumulated other comprehensive income relating to marketable securities		**(40,000)**		(8,000)
Adjusted capital		**7,409,257**		7,750,118
Net debt-to-adjusted capital ratio		**0.73**		0.69

The increase in the net debt-to-adjusted capital ratio during 2011 is the result of a decrease of cash and cash equivalents, and an increase in the Company's deficit for the period ended March 31, 2011, as compared to the year ended December 31, 2010.

Fair value determination

A number of the Company’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Marketable securities

The fair value of financial assets held as available-for-sale is determined by reference to their quoted closing bid price at the reporting date.

(ii) Cash and cash equivalents, trade and other receivables, bank overdraft and trade and other payables

The fair value of cash and cash equivalents, trade and other receivables, and trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At March 31, 2011 and 2010, the fair value of these balances approximated their carrying value due to their short term to maturity.

(iii) Long-term debt and obligations under capital leases

The fair values of the long-term debt and obligations under capital leases approximate their carrying values since their stated interest rates approximate market interest rates at March 31, 2011 and December 31, 2010.

(iv) Loans payable

The fair value of the loans payable is not determinable as loans with similar terms would not be available from third parties.

6. Property, plant and equipment

Cost or deemed cost	Balance at January 1, 2010	Additions	Disposals	Balance at December 31, 2010	Additions	Disposals	Balance at March 31, 2011
Land	$ 375,000	$ -	$ -	$ 375,000	$ -	$ -	$ 375,000
Buildings	641,818	89,211	-	731,029	-	-	731,029
Leasehold improvements	115,885	-	-	115,885	-	-	115,885
Computers and communication equipment	126,558	805	-	127,363	1,217	-	128,580
Office furniture and equipment	360,690	277	-	360,967	-	-	360,967
Small tools and equipment	832,748	37,032	-	869,780	14,442	-	884,222
Light automotive equipment	1,073,958	93,849	(97,743)	1,070,064	-	-	1,070,064
Heavy automotive equipment	4,514,796	65,127	(297,366)	4,282,557	-	-	4,282,557
Construction equipment	6,859,398	596,520	(991,342)	6,464,576	84,500	(35,000)	6,514,076
	$ 14,900,851	**$ 882,821**	**$ (1,386,451)**	**$ 14,397,221**	**$ 100,159**	**$ (35,000)**	**$ 14,462,380**

Depreciation and impairment losses	Balance at January 1, 2010	Depreciation for the period	Disposals	Balance at December 31, 2010	Depreciation for the period	Disposals	Balance at March 31, 2011
Buildings	$ -	$ 8,132	$ -	$ 8,132	$ 2,048	$ -	$ 10,180
Leasehold improvements	81,446	26,226	-	107,672	1,709	-	109,381
Computers and communication equipment	91,935	21,098	-	113,033	4,344	-	117,377
Office furniture and equipment	194,790	28,942	-	223,732	6,930	-	230,662
Small tools and equipment	412,558	74,872	-	487,430	12,880	-	500,310
Light automotive equipment	-	445,614	(46,614)	399,000	81,230	-	480,230
Heavy automotive equipment	1,465,067	332,840	(110,775)	1,687,132	80,243	-	1,767,375
Construction equipment	1,533,543	487,114	(180,987)	1,839,670	113,242	(10,413)	1,942,499
	$ 3,779,339	**$ 1,424,838**	**$ (338,376)**	**$ 4,865,801**	**$ 302,626**	**$ (10,413)**	**$ 5,158,014**

6. Property, plant and equipment continued:

Carrying amounts	Balance at January 1, 2010	Balance at December 31, 2010	Balance at March 31, 2011
Land	$ 375,000	$ 375,000	$ 375,000
Buildings	641,818	722,897	720,849
Leasehold improvements	34,439	8,213	6,504
Computers and communication equipment	34,623	14,330	11,203
Office furniture and equipment	165,900	137,235	130,305
Small tools and equipment	420,190	382,350	383,912
Light automotive equipment	1,073,958	671,064	589,834
Heavy automotive equipment	3,049,729	2,595,425	2,515,182
Construction equipment	5,325,855	4,624,906	4,571,577
	$ 11,121,512	**$ 9,531,420**	**$ 9,304,366**

Amortization and impairment charge

The depreciation and impairment of property, plant and equipment, and any eventual reversal thereof, are recognized in depreciation and amortization expense in the income statement.

7. Intangible assets

Cost or deemed cost	Balance at January 1, 2010	Additions	Balance at December 31, 2010	Additions	Balance at March 31, 2011
Customer relationships	$ 1,455,000	$ -	$ 1,455,000	$ -	$ 1,455,000

Depreciation and impairment losses	Balance at January 1, 2010	Amortization for the period	Balance at December 31, 2010	Amortization for the period	Balance at March 31, 2011
Customer relationships	$ 400,125	145,500	$ 545,625	36,375	$ 582,000

Carrying amounts	Balance at January 1, 2010	Balance at December 31, 2010	Balance at March 31, 2011
Customer relationships	$ 1,054,875	$ 909,375	$ 873,000

8. Share capital

Authorized:

Unlimited Common shares
Unlimited Preferred shares, issuable in series, terms to be set at issuance

Issued:

Common shares	March 31, 2011		December 31, 2010	
	Shares	**Amount**	Shares	Amount
Balance, beginning and end of period	**48,681,700**	**$24,945,961**	48,681,700	$24,945,961

9. Loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost.

		March 31, 2011	December 31, 2010
Current loans and borrowings:			
Bank indebtedness	(b)	**$ 90,098**	$ -
Term loan facility	(c)	**3,550,559**	3,599,023
Loans payable	(f)	**776,619**	1,048,482
Current portion of finance lease liabilities		**239,123**	229,596
Current portion of long term term loans and borrowings	(a)	**537,488**	-
Total current loans and borrowings:		**5,193,887**	4,877,101
Non-current loans and borrowings:			
Finance lease liabilities	(e)	**290,201**	297,617
Mortgage facilities	(d)	**-**	531,038
Total non-current loans and borrowings:		**290,201**	828,655
Total loans and borrowings:		**$ 5,484,088**	$ 5,705,756

(a) Terms and debt repayment schedule

2011	2012	2013	2014	2015	Total
$ 5,193,887	$ 195,984	$ 56,646	$ 31,175	$ 6,396	$ 5,484,088

In November 2010, the Company entered into a new term loan facility and a mortgage facility. Proceeds from these financings and advances from various lenders (note 9(b)) were used to repay the lines of credit, capital line and mortgage facilities in place at December 31, 2009.

(b) Bank indebtedness

At March 31, 2011, the Company's bank indebtedness consisted of outstanding cheques of $90,098.

9. Loans and borrowings continued:

(c) Term loan facility

The non-revolving term loan facility bears interest at the rate of 24% per annum and is repayable in monthly installments of interest only to February 28, 2011. Commencing March 31, 2011 the facility is repayable in monthly installments of interest plus principal in the amount of $83,333 until fully repaid.

The term loan facility can be fully repaid without penalty at any time after three months and matures on November 23, 2011.

A general security agreement providing a first charge over all present and after acquired property of the Company and an assignment of insurance have been provided as collateral for the term loan facility

As at March 31, 2011, $3,655,167 remains outstanding less transaction costs of $104,608 (December 31, 2010, $3,738,500 remains outstanding less transaction costs of $139,477).

The Company is in compliance with the terms of the loan at March 31, 2011 and at December 31, 2010.

(d) Mortgage facility

Effective December 1, 2010 the Company refinanced its mortgages. The new facility in the amount of $559,000 bears interest at 10.25% per annum and is repayable in monthly installments of interest only in the amount of $4,775. The principal is due January 1, 2012.

The mortgage is secured two properties comprised of land and buildings with a net book value of $501,754.

As at March 31, 2011, $559,000 of the mortgage remains outstanding less transaction costs of $21,508.

As at December 31, 2010, $559,000 of the mortgage remains outstanding less transaction costs of $27,961.

(e) Finance lease liabilities

The Company financed specific automotive and construction equipment with a total balance of $529,321 as at March 31, 2011, (December 31, 2010 - $ $527,212) bearing interest from 0% to 9.98%, with cumulative monthly payments of $36,440 - maturing June 2015. Specific construction, automotive and other equipment with a net book value of $692,065 has been pledged as collateral.

Included in equipment and equipment loans for the three months ended March 31, 2011, are $174,724 (December 31, 2010 - $119,969) of capital lease obligations.

(f) Loans Payable

At March 31, 2011, the Company has the following loans payable:

• $200,000 of unsecured advances due to an unrelated party (December 31, 2010 - $400,000). The advances are due on demand and non-interest bearing. The Company repaid $100,000 of the advances subsequent to March 31, 2011. Transaction fees in the amount of $nil incurred in connection with the advances were expensed during the three months ended March 31, 2011 ($75,000 - year ended December 31, 2010).

• $326,619 unsecured demand loan, bearing interest at 12% per annum due to a related company which is controlled by a director and an officer of the Company (December 31, 2010 - $318,482).

• $250,000 unsecured demand loan, bearing interest at 16% per annum due to a related company which is controlled by a member of management of the Company (December 31, 2010 - $250,000).

During the three months ended March 31, 2011, the Company incurred interest expense in the amount of $26,137 on the loans to related parties of which, $8,137 is outstanding and included in loans payable at March 31, 2011.

10. Share-based payments

(a) Stock Option Program (equity-settled)

The Company has a stock option plan for directors, officers, consultants and employees to purchase common shares over a period ranging from two to five years from the date the option is granted at prices approximating market prices on the day prior to the date of grant.

The table below sets out the changes in stock options, with their weighted average prices:

	March 31, 2011		December 31, 2010	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Stock options, outstanding, beginning of period	**4,335,000**	**$ 0.41**	3,480,000	$ 0.51
Granted - January 9, 2011	**400,000**	**0.18**	-	-
Granted - March 1, 2011	**115,000**	**0.25**	-	-
Granted	**-**	**-**	1,075,000	0.20
Granted	**-**	**-**	630,000	0.25
Expired	**(300,000)**	**(0.20)**	-	-
Expired	**(375,000)**	**(0.72)**	-	-
Forfeited	**-**	**-**	(170,000)	(0.42)
Expired	**-**	**-**	(680,000)	(0.42)
Stock options, outstanding, end of period	**4,175,000**	**$ 0.37**	4,335,000	$ 0.41

Exercisable stock options:	**March 31, 2011**		December 31, 2010	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Expiry date				
January 7, 2011	**$ -**	**$ 0.20**	300,000	$ 0.20
January 9, 2011	**-**	**0.72**	375,000	0.72
April 3, 2011	**350,000**	**0.82**	350,000	0.82
June 4, 2011	**1,285,000**	**0.25**	1,285,000	0.25
July 20, 2011	**650,000**	**0.82**	650,000	0.82
May 7, 2012	**600,000**	**0.25**	600,000	0.25
January 7, 2012	**775,000**	**0.20**	775,000	$ 0.20
January 9, 2013	**400,000**	**0.18**	-	-
March 1, 2013	**115,000**	**0.25**	-	-
Stock options, exercisable, end of period	**4,175,000**	**$ 0.37**	4,335,000	$ 0.41

A forfeiture rate of 4.8% (2010 - 6.9%) is used when recording share-based compensation. This estimate is adjusted to the actual forfeiture rate.

The Company recorded share-based compensation expense of $45,231 for the three months ended March 31, 2011, relating to 400,000 and 115,000 stock options issued during the period which vested immediately on January 9, 2011 and March 1, 2011, respectively.

The Company recorded share-based compensation expense of $226,848 for the year ended December 31, 2010, relating to 1,075,000 and 630,000 stock options issued during the year which vested immediately on January 7, 2010 and May 6, 2010, respectively.

10. Share-based payments continued:

The weighted average fair value of options granted during the period ended March 31, 2011 was $0.10 (year ended December 31 2010 - $0.13) estimated using the Black-Scholes option pricing model, under the following assumptions:

	March 2011	**January 2011**	May 2010	January 2010
Expected term	2 years	2 years	2 years	2 years
Risk-free interest	1.69%	nil	1.44%	1.19%
Expected dividends	nil	nil	nil	nil
Expected volatility	94%	88%	105%	114%

(b) Share purchase warrants (equity-settled)

The number of warrants outstanding at March 31, 2011 and December 31, 2010 is 1,200,000 represented by:

Expiry date	**Issuance date**	**Type**	**Exercise price ($)**	**Number**	**Value**	**Remaining contractual life (months)**
October 31, 2011	October 31, 2009	Common shareholder	**0.17**	**1,200,000**	**$ 47,796**	7

11. Related party transactions

In addition to the related party amounts described in note 9 (f), the Company has entered into various transactions with corporations that are controlled by officers and directors of the Company and corporations that either control Enterprise or have common ownership.

Related party transactions not otherwise disclosed are as follows:

The Company paid $12,000 for premises rented for the Company's office in Slave Lake during the three month period ended March 31, 2011 (Year ended December 31, 2010 - $48,000) to a company controlled by a director.

The Company paid $43,500 for the rental of equipment during the three month period ended March 31, 2011 (Year ended December 31, 2010 - $58,000) to a company controlled by a director.

The Company paid $9,000 for the rental of yard premises in Innisfail, Alberta, during the three month period ended March 31, 2011 (Year ended December 31, 2010 - $nil) to a company controlled by a director.

These transactions were recorded at the exchange amount established and agreed to by the parties. All transactions were rendered in the normal course of business during the period.

Key management personnel compensation comprised:

	Three months March 31, 2011	Three months March 31, 2010	Year December 31, 2010
Salaries and short-term employee benefits	**$ 200,585**	$ 207,100	$ 608,273
Share-based payments	**40,764**	-	192,076
	$ 241,349	$ 207,100	$ 800,349

12. Changes in non-cash working capital

	Three months March 31, 2011	Three months March 31, 2010
Account receivable	**$(843,845)**	$(1,106,811)
Unbilled revenue	**(51,029)**	-
Inventories	**2,115**	(41,161)
Deposits and prepaid expenses	**(45,573)**	41,077
Accounts payable and accrued liabilities	**845,399**	(52,831)
	$(92,933)	$(1,159,726)

13. Transition to IFRS

As stated in Note 3, these are the Company's first interim financial statements for the period covered by the first annual consolidated financial statements prepared in accordance with *IFRS*.

The accounting policies in Note 4 have been applied in preparing the interim financial statements for the three months ended March 31, 2011, the comparative information for the three months ended March 31, 2010, the financial statements for the year ended December 31, 2010 and the preparation of an opening *IFRS* statement of financial position on January 1, 2010, the Company's transition date.

The Company followed the provisions of *IFRS 1*, *First-Time Adoption of International Financial Reporting Standards* in preparing its opening *IFRS* balance sheet. Certain of the Company's *IFRS* accounting policies used for this opening balance sheet differed from its Canadian GAAP policies applied at the same date. The resulting adjustments arose from events and transactions before the date of transition to *IFRS*. Therefore as required by *IFRS1*, those adjustments were recognized directly through retained earnings (or another category of equity where appropriate) as of January 1, 2010 in accordance with the general rules of *IFRS1* which is to apply *IFRS* retrospectively. This note explains the principal adjustments made in restating its Canadian GAAP statements.

13. Transition to IFRS continued:

Reconciliation of statement of financial position from Canadian GAAP to IFRS

At the date of *IFRS* transition – January 1, 2010:

	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets			
Cash and cash equivalents	**$ 1,667,547**	$ -	$ 1,667,547
Trade and other receivables	**4,011,810**	-	4,011,810
Inventories	**706,155**	-	706,155
Deposits and prepaid expenses	**357,442**	-	357,442
Total current assets	**6,742,954**	-	6,742,954
Property, plant and equipment (note 13 (a))	**10,493,416**	628,096	11,121,512
Intangible assets	**1,054,875**	-	1,054,875
Marketable securities	**32,000**	-	32,000
Deferred tax assets (note 13 (h))	**2,256,700**	(157,000)	2,099,700
Total non-current assets	**13,836,991**	471,096	14,308,087
Total assets	**$ 20,579,945**	$ 471,096	$ 21,051,041
Liabilities			
Trade and other payables	**$ 2,277,882**	$ -	$ 2,277,882
Current portion of long term loans and borrowings	**5,569,331**	-	5,569,331
Total current liabilities	**7,847,213**	-	7,847,213
Long term loans and borrowings	**116,440**	-	116,440
Total non-current liabilities	**116,440**	-	116,440
Total liabilities	**7,963,653**	-	7,963,653
Equity			
Share capital	**24,945,961**	-	24,945,961
Warrants	**78,009**	-	78,009
Contributed surplus	**1,364,017**	-	1,364,017
Deficit	**(13,771,695)**	(471,096)	(13,300,599)
Total equity	**12,616,292**	(471,096)	13,087,388
Total equity and liabilities	**$ 20,579,945**	$ (471,096)	$ 21,051,041

13. Transition to IFRS continued:

Reconciliation of statement of financial position from Canadian GAAP to IFRS

At the end of the reporting quarter under Canadian GAAP – March 31, 2010:

	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets			
Cash and cash equivalents	**$ 499,520**	$ -	$ 499,520
Trade and other receivables	**5,118,621**	-	5,118,621
Inventories	**747,316**	-	747,316
Deposits and prepaid expenses	**316,365**	-	316,365
Total current assets	**6,681,822**	-	6,681,822
Property, plant and equipment (note 13 (a))	**10,141,429**	624,854	10,766,283
Intangible assets	**1,018,500**	-	1,018,500
Marketable securities	**32,000**	-	32,000
Deferred tax assets (note 13 (h))	**2,464,700**	(157,000)	2,307,700
Total non-current assets	**13,656,629**	467,854	14,124,483
Total assets	**$ 20,338,451**	$ 467,854	$ 20,806,305
Liabilities			
Trade and other payables	**$ 2,225,051**	$ -	$ 2,225,051
Loans payable	**300,000**	-	300,000
Current portion of long term loans and borrowings	**5,616,595**	-	5,616,595
Total current liabilities	**8,141,646**	-	8,141,646
Long term loans and borrowings	**128,063**	-	128,063
Total non-current liabilities	**128,063**	-	128,063
Total liabilities	**8,269,709**	-	8,269,709
Equity			
Share capital	**24,945,961**	-	24,945,961
Warrants	**78,009**	-	78,009
Contributed surplus	**1,364,017**	-	1,364,017
Deficit	**(14,319,245)**	(467,854)	(13,851,391)
Total equity	**12,068,742**	(467,854)	12,536,596
Total equity and liabilities	**$ 20,338,451**	$ (467,854)	$ 20,806,305

13. Transition to IFRS continued:

Reconciliation of statement of financial position from Canadian GAAP to IFRS

At the end of the last reporting year under Canadian GAAP – December 31, 2010:

	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets			
Cash and cash equivalents	**$ 392,032**	$ -	$ 392,032
Trade and other receivables	**2,729,006**	-	2,729,006
Unbilled revenue	**196,320**	-	196,320
Inventories	**714,846**	-	714,846
Deposits and prepaid expenses	**216,030**	-	216,030
Total current assets	**4,248,234**	-	4,248,234
Property, plant and equipment (note 13 (a))	**8,843,743**	687,677	9,531,420
Intangible assets	**909,375**	-	909,375
Marketable securities	**40,000**	-	40,000
Total non-current assets	**9,793,118**	687,677	10,480,795
Total assets	**$ 14,041,352**	$ 687,677	$ 14,729,029
Liabilities			
Trade and other payables	**$ 1,265,155**	$ -	$ 1,265,155
Term loan facility	**3,599,023**	-	3,599,023
Loans payable	**1,048,482**	-	1,048,482
Current portion of long term loans and borrowings	**229,596**	-	229,596
Total current liabilities	**6,142,256**	-	6,142,256
Long term loans and borrowings	**828,655**	-	828,655
Total non-current liabilities	**828,655**	-	828,655
Total liabilities	**6,970,911**	-	6,970,911
Equity			
Share capital	**24,945,961**	-	24,945,961
Warrants	**47,796**	-	47,796
Contributed surplus (notes 13 (b) and (g))	**1,637,866**	16,788	1,621,078
Deficit	**(19,569,182)**	(704,465)	(18,864,717)
Accumulated other comprehensive income	**8,000**	-	8,000
Total equity	**7,070,441**	(687,677)	7,758,118
Total equity and liabilities	**$ 14,041,352**	$ (687,677)	$ 14,729,029

13. Transition to IFRS continued:

Reconciliation of statement of comprehensive income (loss) from Canadian GAAP to IFRS

Reconciliation of consolidated income statement for the three months ended March 31, 2010:

	Canadian GAAP	Effect of transition to IFRS	IFRS
Revenue	$ 5,269,777	$ -	$ 5,269,777
Direct expenses	(4,824,595)	-	4,824,595
General and administrative expenses	(712,517)	-	(712,517)
Depreciation and amortization (note 13 (e))	(419,182)	**1,825**	(417,357)
Gain (loss) on sale of property, plant and equipment (note 13 (a))	4,558	**(5,067)**	(509)
Other expense	(1,859)	-	(1,859)
	(683,818)	**(3,242)**	(687,060)
Finance expenses	(71,732)	-	(71,732)
Loss before income tax	(755,550)	**(3,242)**	(758,792)
Income tax recovery			
Deferred	(208,000)	-	(208,000)
Loss for the period	(547,550)	**(3,242)**	(550,792)
Comprehensive income for the period	-	-	-
Loss and comprehensive loss for the period	$ (547,550)	**$ (3,242)**	$ (550,792)

13. Transition to IFRS continued:

Reconciliation of statement of comprehensive income (loss) from Canadian GAAP to IFRS

Reconciliation of consolidated income statement for the year ended December 31, 2010:

	Canadian GAAP	Effect of transition to IFRS	IFRS
Revenue	$15,623,488	$ -	$15,623,488
Direct expenses	13,833,129)	-	1,593,581
General and administrative expenses (note 13(g))	(3,284,730)	**16,788**	(3,267,942)
Depreciation and amortization (note 13 (e))	(1,647,335)	**76,996**	(1,570,339)
Loss on sale of property, plant and equipment (note 13 (a))	(171,029)	**(17,415)**	(188,444)
Other income	24,012	-	24,012
	(3,288,723)	**76,369**	(3,212,354)
Finance expenses	(252,064)	-	(252,064)
Loss before income tax	(3,540,787)	**76,369**	(3,464,418)
Income tax expense			
Deferred (note 13 (h))	2,256,700	**(157,000)**	2,099,700
Loss for the year	(5,797,487)	**233,369**	(5,564,118)
Other comprehensive income (loss):			
Unrealized gain on marketable securities	8,000	-	8,000
Comprehensive income for the year	8,000	-	8,000
Loss and comprehensive loss for the year	$ (5,789,487)	$ **233,369**	$ (5,556,118)

13. Transition to IFRS continued:

IFRS 1 First-Time Adoption of International Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain *IFRSs* effective for December 2011 year-ends. The Company has applied the following exemptions:

(a) IFRS 1 election for deemed cost

The Company has elected to apply *IFRS 1 Deemed Cost* exemption to land, buildings, and light automotive equipment as at January 1, 2010. In accordance with *IFRS 1*, at the date of transition, the Company has measured land, buildings, and light automotive equipment at fair values.

All other property, plant and equipment is stated at historical cost less depreciation. Depreciation has been adjusted Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The effect is as follows:

Increase the carrying amount of land, buildings, and light automotive equipment at January 1, 2010	$	628,096
Decreased depreciation (note 13 (f))		1,825
Increase in loss on sale of property, plant and equipment		(5,067)
IFRS adjustment for property, plant and equipment at March 31, 2010	$	624,854
Increase the carrying amount of land, buildings, and light automotive equipment at January 1, 2010	$	628,096
Decreased depreciation (note 13 (f))		76,996
Increase in loss on sale of property, plant and equipment		(17,415)
IFRS adjustment for property, plant and equipment at December 31, 2010	$	687,677

(b) Share-based payments

The Company has elected to not apply *IFRS 2 Share-Based Payment* to equity instruments related to share-based compensation arrangements that were granted on or before November 7, 2001 that vested before January 1, 2010. All options issued by the Company were vested as at December 31, 2009.

The effect is nil to contributed surplus and deficit at the date of transition, January 1, 2010.

(c) Business combinations

IFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries that occurred before January 1, 2010, as permitted by *IRFS1.*

(d) Leases

The Company has elected to apply the *IFRS 2* exemption to leases. As a result, the Company has not reassessed any arrangements to determine whether they contain a lease if they have already been assessed under CGAAP.

(e) Estimates

In accordance with *IFRS 1*, an entity's estimate under *IFRS* at the date of transition to *IFRS* must be consistent with estimates made for the same date under previous CGAAP, unless there is objective evidence that those estimates were in error.

It has been determined that to include salvage values in the calculation of depreciation for all items in property, plant and equipment to more accurately allocate the costs of the assets to the periods in which they are used. Previously, the Company only included salvage values in the calculation of depreciation for its construction equipment. See note 13(a) for the effect of this change.

With the exception of the above estimates in depreciation with the use of salvage values in the calculation, the Company's *IFRS* estimates as at January 1, 2010, are consistent with its Canadian GAAP estimates for the same date.

13. Transition to IFRS continued:

(f) Depreciation

IFRS requires separation based upon its cost relative to the total cost of the asset. Under *IFRS* component accounting is required if the useful life and/or depreciation method for the component is different from the remainder of the asset.

There was no impact of this difference on adoption of *IFRS* at January 1, 2010.

(g) Share-based compensation

Under previous GAAP the Company's equity-settled share-based payments were measured at their fair value at the grant date. This amount was expensed to share-based compensation on the income statement on a straight-line basis over the vesting period. Forfeitures were accounted for as they occurred. Under *IFRS*, an estimate of forfeitures must be factored into the calculation of the expense at the grant date and any difference between the estimates and actual is recognized in the period when actual forfeitures are incurred.

The effect on loss for the year ended December 31, 2010, is a decrease share-based compensation, as recorded in general and administration expense by $16,788 with a corresponding change to contributed surplus.

(h) Deferred taxes

The deferred tax asset was decreased by $157,000 based on a tax rate of 25% on adoption of *IFRS* on January 1, 2010.

The benefit of the Company's future income tax asset has not been recognized in the audited consolidated financial statements at December 31, 2010 or the March 31, 2011, unaudited consolidated interim financial statements. The Company evaluates at each reporting date if this asset is "more likely than not" to be realized and resulted in a change in valuation allowance.

14. Segmented information

The Company operates in two main business segments in Western Canada, directional drilling, installation and maintenance of underground utilities in the utility and transportation infrastructure industry sector, along with pipeline and facilities construction and maintenance in the energy sector. The business segments presented reflect the management structure of the Company and the way the Company's management reviews business performance.

The accounting policies and practices of the reportable segments are the same as those described in note 4.

Three months ended March 31, 2011	Directional drilling and utility services	Pipeline, facilities construction and maintenance	Corporate	March 31, 2011
Revenues	$3,539,579	$ 691,397	$ -	$4,230,976
EBITDAS (i)	742,440	12,114	(452,558)	301,996
Depreciation and amortization	45,529	288,253	5,221	339,003
Interest and bank charges	100,483	192,503	13,100	306,086
(Gain) on sale of property, plant and equipment	-	(2,232)	-	(2,232)
Share-based payments	-	-	45,231	45,231
Income (loss) before taxes	$ 596,428	$ (466,410)	$ (516,110)	$ (386,092)
Total identifiable assets	$7,371,138	$7,130,850	$541,912	$15,043,900

14. Segmented information continued:

Three months ended March 31, 2010	Directional drilling and utility services	Pipeline, facilities construction and maintenance	Corporate	March 31, 2010
Revenues	$2,368,304	$2,901,473	$ -	$5,269,777
EBITDAS (i)	1,007,669	(814,543)	(456,022)	(262,896)
Depreciation and amortization	53,866	344,180	19,311	417,357
Interest and bank charges	12,638	63,886	1,506	78,030
Loss on sale of property, plant and equipment	-	509	-	509
Income (loss) before taxes	$941,165	$(1,223,118)	$(476,839)	$(758,792)
Total identifiable assets	$6,588,496	$11,068,128	$841,981	$18,498,605

(i) EBITDAS represents earnings or loss before interest, income taxes, depreciation and amortization, and share-based payments. EBITDAS is not a standard measure that has any standardized meaning prescribed by GAAP and is considered to be a non-GAAP measure. Therefore, this measure may not be comparable to similar measures presented by other companies. This measure has been described and presented in the same manner in which the chief operating decision-maker makes operating decisions and assesses performance.

15. Subsequent events

In May 2011, the Company entered into a financing arrangement with a Canadian chartered bank to secure a $1,800,000 non-revolving demand loan. The facility is secured by specific equipment, a general security agreement on all assets of the Company and guarantees by the Company and an officer and Director of the Company. The interest rate on the facility is lender prime plus 2.0%. The loan is repayable over 60 months with principal payments of $30,000 plus interest. Proceeds of the loan will be used to pay down the existing 24% term loan facility.

In June 2011, the Company sold one property, a condominium building in the Town of Slave Lake. The proceeds from the sale were used to pay down the existing mortgage secured by two properties (note 9 (d)) by $169,000 to $390,000 with the remaining proceeds of approximately $131,000, applied towards closing costs and working capital.