

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2021 and 2020

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

(e) **Market risk**

Market risk is the risk of changes in market prices, such as interest rates, which will affect the Company's income or the value of its financial instruments. Management has assessed the effect of a 1% interest rate increase or decrease in the prime lending rate at June 30, 2021, to impact the Company's annual interest expense by approximately \$100,000 (December 31, 2020 - \$113,000). The Company has not entered into any derivative agreements to mitigate this risk.

Capital management

The primary objective of capital management is to ensure the Company has sufficient capital to support its business and maximize shareholder value. The Company manages its capital in proportion to the risk of the underlying assets and makes adjustments in light of changes in economic conditions and risks. The Company's strategy remains unchanged from prior periods. Management considers its capital structure to include funded debt and adjusted capital of the Company. Adjusted capital comprises all components of equity (share capital, contributed surplus, and deficit). Included in funded debt is the bank loan facility which requires the Company to maintain certain financial covenants as defined below. The Company's objectives when managing capital are to finance its operations and growth strategies and to provide an adequate return to its shareholders. In order to maintain or adjust the capital structure, the Company may issue new shares, or sell assets to reduce debt. As at June 30, 2021, the Company has met these objectives.

	June 30, 2021	December 31, 2020
Bank loan facility	\$ 7,649,747	\$ 8,861,872
Current portion of loans and borrowings	1,171,840	1,322,637
Long term loans and borrowings	3,040,008	3,509,066
Net funded debt	11,861,595	13,693,575
Shareholders' equity	33,387,778	35,006,728
Total capital	\$ 45,249,373	\$ 48,700,303

Included in net funded debt is the bank loan facility which requires the Company to maintain certain financial covenants.

"Fixed Charge Coverage Ratio" - EBITDA less unfinanced capital expenditures, less taxes paid divided by fixed charges.

"Senior Leverage Ratio" - the result of the amount of Senior Funded Debt of the Company and its subsidiaries on a consolidated basis, to the trailing twelve month EBITDA for the 12 month period ended as of such date.

The Company's covenants are as follows:

	June 30, 2021	Required	December 31, 2020	Required
Fixed charge coverage ratio	2.51	> 1.25	2.20	> 1.25
Senior leverage ratio	3.15	< 3.50	3.53	< 4.00
Annual net capital expenditure	N/A	< \$1,750,000	393,001	< \$1,750,000

The minimum covenants are noted in the table above. The Company monitors these requirements on an ongoing basis and reports on its compliance to its lender on a monthly basis. As at June 30, 2021, the Company is in compliance with all covenants.

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4. Property, plant and equipment

Cost	Balance at December 31, 2020	Additions	Disposals	Reclassified	Balance at June 30, 2021
Land	\$ 4,679,210	\$ -	\$ -	\$ -	\$ 4,679,210
Buildings	1,507,493	-	-	9,419	1,516,912
Leasehold improvements	238,926	-	-	950	239,876
Computers and communication equipment	382,136	4,395	(166,233)	13,691	233,989
Small equipment	672,820	212,893	(1,373)	21,601	905,941
Light automotive equipment	1,010,529	-	(126,869)	-	883,660
Heavy automotive, construction and portable rental equipment	64,267,718	1,384,701	(3,053,478)	12,332	62,611,273
Right-of-use assets	2,408,248	115,306	(33,466)	-	2,490,088
Property, plant and equipment under construction	541,195	447,300	-	(57,993)	930,502
	\$ 75,708,275	\$ 2,164,595	\$ (3,381,419)	\$ -	\$ 74,491,451

	Accumulated depreciation				Carrying amounts		
	Balance at December 31, 2020	Depreciation for the year	Disposals	Reclass	Balance at June 30, 2021	Balance at December 31, 2020	Balance at June 30, 2021
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,679,210	\$ 4,679,210
Buildings	71,724	10,813	-	-	82,537	1,435,769	1,434,375
Leasehold improvements	210,319	3,514	-	-	213,833	28,607	26,043
Computers and communication equipment	371,744	5,390	(166,233)	-	210,901	10,392	23,088
Small equipment	445,292	52,948	(1,236)	(3,146)	493,858	227,528	412,083
Light automotive equipment	693,375	17,878	(63,740)	-	647,513	317,154	236,147
Heavy automotive, construction and portable rental equipment	29,125,604	2,602,071	(1,769,113)	3,146	29,961,708	35,142,114	32,649,565
Right-of-use assets	775,105	425,250	(8,489)	-	1,191,866	1,633,143	1,298,222
Property, plant and equipment under construction	-	-	-	-	-	541,195	930,502
	\$ 31,693,163	\$ 3,117,864	\$ (2,008,811)	\$ -	\$ 32,802,216	\$ 44,015,112	\$ 41,689,235

Included in the carrying amount of \$41,689,235 is \$930,502 (2020 - \$540,006) of heavy automotive, construction and portable rental equipment under construction and \$nil (2020 - \$1,189) of computers and equipment, which is not being depreciated as they are not yet available for use.

The carrying amounts of right-of-use assets as at June 30, 2021, were as follows:

Right-of-use assets	June 30, 2021	December 31, 2020,
Buildings and premises	\$ 741,578	\$ 1,038,344
Small equipment	17,165	20,419
Light automotive equipment	539,479	574,380
	\$ 1,298,222	\$ 1,633,143

For the three months ended June 30, 2021, rent expense for short-term leases and leases of low-value assets was \$145,710 (2020 - \$122,153). For the six months ended June 30, 2021, rent expense for short-term leases and leases of low-value assets was \$286,318 (2020 - \$339,619). At June 30, 2021, the Company was committed to short term leases and the total commitment at that date was \$529,508 (2020 - \$8,838).

For the six months ended June 30, 2021, the Company sold property, plant and equipment with a net book value of \$1,372,724 and received proceeds of \$972,464 (2020 - net book value of \$542,156 and proceeds of \$502,106). The loss on sale of equipment of \$464,024 included sales related costs of \$51,604 (2020 - \$711).

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5. Income tax

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

Six months ended June 30,	2021	2020
Income before income tax	\$ (1,532,910)	\$ (994,211)
Expected tax rate	24.29 %	22.29 %
Current income tax expense	(372,384)	(221,610)
Non-deductible items	4,400	2,295
Change in tax rates and rate differences	25,967	46,695
Change in unrecognized temporary differences	341,938	518,674
Other	79	-
Income tax expense	\$ -	\$ 346,054

6. Loans and borrowings

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

	June 30, 2021	December 31, 2020
Current portion of loans and borrowings		
Current portion of vendor take-back loans	\$ 303,155	\$ 287,968
Current portion of term loan facilities	-	136,207
Current portion of lease liabilities	719,154	751,667
Current portion of mortgage facilities	149,531	146,795
Total current portion of loans and borrowings	1,171,840	1,322,637
Non-current portion of loans and borrowings		
Bank loan facility	7,649,747	8,861,872
Vendor take-back loans	293,976	272,627
Term loan facilities	-	134,251
Lease liabilities	523,294	806,835
Mortgage facilities	2,222,738	2,295,353
Total non-current portion loans and borrowings	10,689,755	12,370,938
Total loans and borrowings	\$ 11,861,595	\$ 13,693,575

7. Share capital**Authorized:**

Unlimited Common shares

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

Normal course issuer bid

During the six months ended June 30, 2021, the Company repurchased and cancelled a total of 768,000 shares at a cost of \$159,539 (2020 - 884,000 shares at a cost of \$125,744). The shares were purchased in the open market in accordance with the normal course issuer bid approved by the TSX. The Company renewed its bid on August 24, 2020, with a termination date of August 23, 2021, or such earlier time as the bid is completed or terminated at the option of the Company.

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8. Share-based payments

The Company has a stock option plan to purchase common shares over a period ranging from one to five years from the date the option is granted at prices approximating market prices on the day prior to the date of grant.

Outstanding stock options June 30, 2021	Number	Weighted average exercise price	Weighted average remaining contractual life (months)
Stock options, beginning of year	5,025,000	\$ 0.18	17
Exercised	(490,000)	\$ 0.15	-
Expired	-	\$ -	-
Issued	-	\$ -	-
Stock options, June 30, 2021	4,535,000	\$ 0.18	12
Exercisable stock options, June 30, 2021	4,535,000	\$ 0.18	12

During the quarter ended June 30, 2021, 490,000 options were exercised at a price of \$0.15.

9. Earnings per share

The loss available to common shareholders and weighted average number of common shares outstanding for comparative basic and diluted earnings per share are:

	Three months June 30, 2021	Three months June 30, 2020	Six months June 30, 2021	Six months June 30, 2020
Weighted average common shares outstanding - basic	49,012,253	50,266,874	49,007,630	50,604,028
Net income and comprehensive income	\$(1,626,547)	\$(1,844,963)	\$(1,532,910)	\$(1,340,265)
Basic and diluted earnings per share from comprehensive income	\$(0.03)	\$(0.04)	\$(0.03)	\$(0.03)

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

10. Related party transactions

The Company has entered into various transactions in the normal course of business with a corporation controlled by an officer and director of the Company. These transactions were recorded at the exchange amount established and agreed to by the parties. Management and consulting fees were paid to a company controlled by Leonard Jaroszuk, President and Chief Executive Officer, as compensation for serving his role as officer for the Company.

Six months ended June 30,	2021	2020
Management and consulting fees	\$ 308,622	\$ 370,364

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11. Supplemental cash flow information

Six months June 30,	2021	2020
(a) Changes in non-cash working capital:		
Trade and other receivables	\$ 1,395,726	\$ 1,911,091
Unbilled revenue	(89,841)	306,933
Inventories	(28,171)	11,447
Deposits and prepaid expenses	(168,807)	(113,568)
Trade and other payables	(126,299)	(953,162)
Income taxes payable	-	232,788
	\$ 982,608	\$ 1,395,529
(b) Other non-cash transactions:		
Purchases under lease liabilities	\$ 115,306	\$ 350,589
Amortization of prepaid borrowing costs	\$ 37,431	\$ 67,594

(c) Cash taxes paid

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

12. COVID-19 impact

The Company is utilizing the Canadian Emergency Wage Subsidy Program (CEWS), the Canadian Emergency Rent Subsidy (CERS), and the Canadian Emergency Business Account Program (CEBA). Under these programs the Company is eligible for/or has received: CEWS of \$1,211,976 (June 2020 - \$526,837), CERS of \$247,366 (June 2020 - \$nil) and CEBA loans of \$120,000.

The Company is utilizing the Canadian Emergency Wage Subsidy Program as intended, keeping employees working and on payroll during the COVID-19 pandemic. The Company continues to monitor changes to all government programs and will alter its cost structure accordingly if required. Utilizing the CEWS and CERS programs, the Company recorded \$459,362 (\$593,486 – June 2020) against direct costs for the three months ended June 30, 2021 and \$531,927 (\$140,570 – June 2020) against EBITDA for the three months ended June 30, 2021. Utilizing the CEWS and CERS programs, the Company recorded \$1,259,878 (\$661,981 – June 2020) against direct costs for the six months ended June 30, 2021, and \$1,459,343 (\$749,553 – June 2020) against EBITDA for the six months ended June 30, 2021.