



Management's Discussion and Analysis

For the years ended December 31, 2017 and 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended December 31, 2017 and 2016

This Management Discussion and Analysis (MD&A) should be read in conjunction with the audited consolidated financial statements and the notes contained therein of Enterprise Group, Inc. ("Enterprise", the "Company" or the "Corporation") for the year ended December 31, 2017. 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 March 15, 2018.

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 is a construction services company operating in the energy, utility and transportation infrastructure industries. The Corporation's focus is primarily underground construction and maintenance and specialty equipment rentals. With corporate headquarters in St. Albert, Alberta, Canada; site offices in Morinville, Calgary, Edmonton, Rocky Mountain House, Drayton Valley, Hinton, Whitecourt, and Grande Prairie, Alberta; Pouce Coupe, and Fort St. John, British Columbia, Enterprise is strategically located near its customers. The Corporation's strategy is to acquire complementary service companies in Western Canada, consolidating capital, management and human resources to support continued growth.

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



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

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

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.

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

In 2014, Enterprise expanded its underground services with the purchase of a specialized single pass tunnelling system. Enterprise anticipated growth in Western Canada for such specialized services on those projects where traditional horizontal directional drilling was not appropriate. In 2015, Enterprise completed its first job with this specialized tunneling system. With the economic downturn, many projects were delayed and limited work appears to be available in the foreseeable future. In late 2016, Enterprise decided not to pursue this line of business any further and to only focus on the core tunnelling services offered by Calgary Tunnelling & Horizontal Augering Ltd.

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.



OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

Consolidated:	Three months December 31, 2017	Three months December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2016
Revenue	\$ 10,687,760	\$8,326,646	\$37,677,118	\$28,723,585
Gross margin	\$2,870,702	\$2,415,477	\$9,524,333	\$6,828,782
Gross margin %	27%	29%	25%	24%
EBITDA ⁽¹⁾	\$2,566,045	\$1,872,760	\$7,039,984	\$3,851,894
Net income (loss) and comprehensive income (loss)	\$372,957	(\$9,920,464)	\$(936,041)	\$(13,165,040)
EPS	\$0.01	(\$0.18)	\$(0.02)	\$(0.24)

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

- Enterprise experienced a meaningful increase in activity from its existing customers coupled with a substantial increase in the number of new customers. Although activity during the year has increased, price reductions implemented throughout the industry in 2015 and 2016 are still in place and competition continues to be holding prices down. Enterprise's high level of service combined with its expertise and specialized equipment has allowed the Company to successfully navigate during this economic downturn. Revenue for the three months ended December 31, 2017 of \$10,687,760 increased by \$2,361,114 or 28% compared to the prior period. Gross margin declined to 27% and EBITDA increased to \$2,566,045 for the three months ended December 31, 2017. Revenue for the year ended December 31, 2017 of \$37,677,118 increased by \$8,953,533 or 31% compared to the prior period. Gross margin for the year ended December 31, 2017 slightly increased to 25% when compared to the prior period. EBITDA for the three months and year ended December 31, 2017 of \$2,566,045 and \$7,039,984 respectively, increased from higher activity levels combined with reductions in interest charges and general and administrative expenses when compared to the prior period.
- During 2017, the Company integrated and upgraded its financial and reporting systems along with its rental fleet tracking and deployment system. Immediate efficiencies and cost savings were experienced after implementing these systems. Further enhancements to these systems will continue in 2018.
- Over the last 2 years, the Company has made significant improvements to its statement of financial position and overall total debt. At December 31, 2017, after adjusting for goodwill and deferred taxes, the Company has assets in excess of total debt of approximately \$51,000,000. Enterprise will continue to look for opportunities to improve its financial position and opportunities that will allow the Company to diversify and expand.
- In July 2016, the Company closed a transaction to divest substantially all the assets of T.C. Backhoe & Directional Drilling Ltd. ("TCB"). TCB provided directional drilling and installation of underground power, telecommunications and natural gas lines to the utility infrastructure segment. Gross cash proceeds from the transaction was \$16,890,400 plus \$2,951,798 of working capital for a total of \$19,842,198. All proceeds from the transaction were deployed towards reducing the Company's debt.
- During the fourth quarter of 2016, Enterprise decided to cease operations of its Enterprise Trenchless Crossings operations ("ETC") and focus on the core tunneling services provided by Calgary Tunnelling. ETC's focus was on single pass tunneling jobs using specialized equipment the Company purchased in 2014. Project delays, price reductions and compressed margins have increased the overall risk associated with this line of business.



Selected Consolidated Expenses

Selected Consolidated Expenses:	Three months December 31, 2017	Three months December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2016
General and administrative	\$530,174	\$602,725	\$2,559,517	\$3,155,088
Finance expense	\$430,216	\$564,501	\$1,661,197	\$2,158,339
Share based payments	\$nil	(\$42,750)	\$nil	\$1,210,827
Impairment of long-lived assets	\$nil	\$8,436,911	\$nil	\$8,436,911

General and administrative expenses

General and administrative expenses for the three month period ended December 31, 2017 decreased to \$530,174, a decrease of \$72,551 compared to the prior period. General and administrative expenses for the year ended December 31, 2017 decreased to \$2,559,517, a decrease of \$595,571 compared to the prior year. Enterprise has historically operated with minimal head office infrastructure however the Company continues to promote efficiencies throughout the organization to reduce corporate level costs where possible. During 2017, the Company integrated and upgraded its financial and reporting systems along with its rental fleet tracking and deployment system. Immediate efficiencies were experienced after implementing these systems.

Finance expense

Finance expense includes interest charges on all outstanding debt including: the loan facility with PNC, finance leases and vendor take-back debt. The Company has utilized debt to support operations, fund capital expenditures and partially fund acquisitions as required. Over the year, total loans and borrowings have decreased from \$24,162,312 to \$22,133,931. As a result, finance expense for the three months and year ended December 31, 2017 has decreased to \$430,216 and \$1,661,197 respectively compared to prior periods.

Share-based payments

Share-based payments reflect the fair value of options issued. No options were issued during 2017. On March 31, 2016, the Company cancelled all outstanding stock options and recognized a charge equal to the remaining fair value of issued options which had not previously been expensed.

Impairment of long-lived assets

In accordance with its accounting policies, property, plant and equipment were evaluated on the basis of fair value less cost of disposal and value in use, and intangible assets and goodwill were evaluated on the basis of value in use. Management believes that the methodology used to test impairment, which involves a significant number of judgements and estimates, provides a reasonable basis for determining whether an impairment has occurred. At December 31, 2017, the Company concluded there was no impairment based on the result of the tests. At December 31, 2016, the Company recognized an impairment charge of \$8,436,911 split \$2,380,383 against property, plant and equipment, \$nil against intangible assets and \$6,056,528 against goodwill.

OUTLOOK

Due to increased activity in 2017, management's confidence is building in its outlook for the Company and its services. Management's continued efforts to streamline and maximize efficiencies are now firmly in place and delivering meaningful margin ratios while still navigating a challenging landscape. Management believes that Enterprise is relatively well positioned.

Throughout 2017, management has experienced a meaningful increase in activity from its existing customers coupled with a substantial surge in new customers which has resulted in increased market share for its business units. As evidenced by this most recent quarter, management's efforts to streamline and maximize efficiencies are translating into improved EBITDA. Management feels that Enterprise is within a very select group of producers and service providers that have adapted their organizations to operate successfully in the current commodity price environment.

Enterprise's customers include some of Canada's largest energy producers, utility service providers and the federal



and provincial governments of Canada. The Company employs experienced management and is committed to maintaining a high quality of service provided to its clients. With the diversification of the Company's services, streamlining of our operations, our cash management measures, management believes the Company is well positioned to navigate a difficult commodity price environment.

Management continues to drive cost reductions throughout the Company to assist in offsetting pricing pressures and reduced activity. Although cost reductions will continue in 2018, management is committed to maintaining the quality of service provided to its clients in order to position the Company for the future increases in activity levels and large project approval.

Management remains confident in its strategic and operational plans and has a seasoned leadership team to guide the Company. Enterprise is committed to its customer base throughout the Western Canadian provinces and strives to provide excellent customer service and is excited about its future prospects.

Management will maintain a conservative approach towards capital spending while looking at fleet management, and opportunistic asset dispositions. This approach will allow management to both maintain financial flexibility and allow for opportunistic acquisition activity.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

	Three months December 31, 2017	Three months December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2016 ⁽⁵⁾	Year ended December 31, 2015 restated ⁽³⁾⁽⁴⁾⁽⁵⁾
Revenue	\$10,687,760	\$8,326,646	\$37,677,118	\$28,723,585	\$39,754,739
EBITDA ⁽¹⁾	\$2,566,045	\$1,827,760	\$7,039,984	\$3,851,894	\$5,500,260
Income (loss) before income tax	\$666,329	(\$8,311,697)	(\$1,048,770)	(\$15,553,151)	(\$23,250,495)
Net income (loss) from continuing operations ⁽²⁾	\$388,319	(\$8,047,925)	(\$874,592)	(\$12,922,496)	(\$19,906,559)
Net income (loss) and comprehensive income (loss)	\$372,957	(\$9,920,464)	(\$936,041)	(\$13,165,040)	(\$20,307,151)
Basic and diluted earnings (loss) per share	\$0.01	(\$0.18)	(\$0.02)	(\$0.24)	(\$0.40)
Weighted average common shares outstanding – basic ⁽³⁾	55,641,747	55,652,374	55,641,747	55,652,374	50,990,059
Weighted average common shares outstanding – diluted ⁽³⁾	55,641,747	55,652,374	55,641,747	55,652,374	50,990,059
Total common shares outstanding ⁽³⁾	55,517,874	55,652,374	55,517,874	55,652,374	55,652,374
Total assets	\$81,482,330	\$84,600,493	\$81,482,330	\$84,600,493	\$119,217,868
Total liabilities	\$29,490,552	\$31,630,124	\$29,490,552	\$31,630,124	\$54,293,286
Total equity	\$51,991,778	\$52,970,369	\$51,991,778	\$52,970,369	\$64,924,582

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

(2) Includes a non-recurring and non-cash impairment charge for the year ended December 31, 2017 of \$nil (2016 - \$8,436,911 2015 - \$16,558,240) relating to property, plant and equipment, intangible assets and goodwill.

(3) The Company completed a 3 for 1 consolidation of outstanding shares on June 24, 2015.

(4) In July 2016, the Company closed a transaction to divest substantially all the assets of TCB. The net operations of TCB, including the prior period, are presented as a single amount in the consolidated statements of loss and comprehensive loss.

(5) In December 2016, the Company decided to cease all operations relating to trenchless single pass tunneling. The net operations of this line of business, including the prior period, are presented as a single amount in the consolidated statements of loss and comprehensive loss.



Cash Flow Information

A summary of cash flow information for the periods ended December 31, 2017, and 2016, is set out below:

Cash Flow Information	Year ended December 31, 2017	Year ended December 31, 2016
Net cash provided by operating activities	\$5,478,124	\$3,734,693
Net cash used by financing activities	(3,759,545)	(20,827,917)
Net cash (used) provided by investing activities	(1,118,512)	15,785,167
Change in cash and cash equivalents	600,067	(1,308,057)
Cash and cash equivalents, beginning of period	691,718	1,999,775
Cash and cash equivalents, end of period	\$1,291,785	\$691,718

Operating activities provided net cash of \$5,478,124 compared to \$3,734,693 in the prior period. The increase is consistent with higher activity throughout 2017 resulting in higher revenues.

Net cash used by financing activities reflects the regular debt reduction payments made during the period of \$1,265,547, a decrease in the bank loan facility of \$904,642 and the use of \$42,550 in the share buyback program.

Net cash used by investing activities reflects \$2,053,310 paid to purchase equipment and \$1,069,571 of cash received from the sale of equipment.

SUMMARY OF QUARTERLY RESULTS

	2017				2016			
	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31
Revenue	\$10,687,760	\$11,039,666	\$7,071,643	\$8,878,049	\$8,326,646	\$6,551,285	\$8,405,193	\$11,436,212
Net income (loss) for the period	\$372,957	\$328,933	\$(1,587,305)	\$(50,627)	\$(9,920,464)	\$581,816	\$(2,399,765)	\$(1,426,622)
Earnings (loss) per share - Basic and Diluted	\$0.01	\$0.01	\$(0.03)	\$0.00	\$(0.18)	\$0.01	\$(0.04)	\$(0.03)

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

POST-REPORTING DATE EVENTS

On March 6, 2018, the Company announced a non-binding letter of intent for the sale of the assets of Calgary Tunnelling & Horizontal Augering Ltd. to a private arm's length purchaser. Total proceeds are expected to be approximately \$21 million, subject to certain adjustments for inventory and working capital. All proceeds will be used to reduce debt. Completion of the transaction is subject to negotiation of a definitive purchase agreement, finalization of satisfactory due diligence, obtaining third party consents and approvals and other customary closing conditions.



OUTSTANDING SHARE DATA

	March 14, 2018	December 31, 2017	December 31, 2016
Common shares outstanding	55,392,874	55,517,874	55,652,374
Stock options outstanding	4,835,000	4,835,000	4,835,000
Warrants outstanding	6,183,500	6,183,500	7,021,768
Total	66,411,374	66,536,374	67,509,142

OFF-BALANCE SHEET ARRANGEMENTS

Enterprise enters into short-term and long-term operating leases with various vendors to provide office space and equipment in our normal course of operations. Our commitments under operating leases are disclosed in the table labeled “contractual obligations.” Enterprise does not have off-balance sheet arrangements as at December 31, 2017.

RELATED PARTY TRANSACTIONS

The Company has entered into various transactions in the normal course of business with corporations controlled by officers and directors of the Company and corporations that have common ownership. These transactions were recorded at the exchange amount established and agreed to by the parties. Management and consulting fees were paid to companies controlled by Leonard Jaroszuk, President and Chief Executive Officer and Desmond O’Kell, Senior Vice President as compensation for serving the Company in those roles. Equipment rental fees were paid to a company controlled by Leonard Jaroszuk, President and Chief Executive Officer, and Desmond O’Kell, Senior Vice President and Director, to rent equipment required for operating activities. As part of managing the Company’s fleet of equipment, during the fourth quarter of 2017, the Company sold \$407,200 of equipment to a corporation controlled by Leonard Jaroszuk, President and Chief Executive Officer, and Desmond O’Kell, Senior Vice President and Director. The exchange amount was agreed to by the parties and resulted in a gain on sale of \$nil to the Company.

Years ended December 31	2017	2016
Management and consulting fees	\$584,192	\$929,021
Equipment rental	150,000	150,000
Total	\$734,192	\$1,079,021
Proceeds on equipment sold, included in trade and other receivables	\$407,200	\$ -

Key management compensation

Years ended December 31	2017	2016
Salaries and directors’ fees	\$1,195,940	\$1,837,509
Share-based payments	-	893,366
Total	\$1,195,940	\$2,730,875

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

Management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards of ownership. Management evaluates the lease terms and in some cases the lease transaction is not always conclusive in its classification as a finance lease.

Management uses judgement in determining whether modifications to a lease impacts its classification as a finance lease, and impacts the original financial liability. The specific details of the changes will determine if they should be recognized immediately in the statement of income and comprehensive income or as part of the leased assets.

ii. Deferred taxes

Management estimates the probability of future taxable income in which deferred tax assets can be utilized based on the Company's forecasted budget. The Company also takes into consideration non-taxable income and expenses and the various tax rules in effect or expected to be in effect at a future date. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, then the asset is recognized. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed by management based on specific circumstances.

ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected. Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts included in the financial statements included, but were not limited to, the following:

i. Share-based payments

The Company estimates the fair value of stock option awards using the Black-Scholes Option Pricing Model. Certain key assumptions used in the model include the expected interest rate, expected volatility, forfeitures, dividend yield and expected term.

ii. Property, plant and equipment and intangible assets

The Company estimates useful life, residual value and depreciation methods based on industry norms, historical experience, market conditions and future cash flows. It is possible that future results could be materially affected by changes in the above factors.

iii. Investment property

The determination of the fair value of the investment property requires the use of estimates based on local market conditions existing at the reporting date. In arriving at estimates of market values, the Company uses an expert in order to apply market knowledge and professional judgement.

iv. 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.

v. Impairments

An asset or cash generating unit ("CGU") is impaired when its carrying value exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model, which incorporates the Company's budget and business plan. The recoverable amount is most sensitive to the discount rate used in the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. To arrive at cash flow projections the Company uses estimates of economic and market information over the projection period, including growth rates in revenues, estimates of future

expected changes in operating margins, cash expenditures, the amount of property, plant and equipment required to achieve the cashflow projections, other future estimates of capital expenditures and changes in future working capital requirements.

vi. Impairment of financial assets

At the end of each reporting period, management reviews the individual balances in accounts receivable and assesses their recoverability based on the aging of outstanding balances, historical bad debt experience, indicators of change in customer credit worthiness, and change in customer payment terms, to identify and determine the extent of impairment, if any.

vii. 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.

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

Unless otherwise noted, the following revised standards and amendments are effective as noted below, with earlier application permitted. The following is a brief summary of the new standards:

IFRS 9 - Financial Instruments

The IASB released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets, guidance on the application of hedge accounting and guidance for debt modifications that result in a material change to future cash flows. In 2016, the Company's bank loan facility was modified due to an interest rate change, and under IFRS 9, the Company must assess the impact of this modification on future cash flows. Based on current facts and circumstances, management expects the new guidance to have a material impact on the opening balance for the bank loan facility when this new standard is adopted on January 1, 2018. The resulting impact will be an adjustment to the carrying value of the bank loan facility offset by a corresponding adjustment to opening retained earnings.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for financial years commencing on or after January 1, 2018. Enterprise will adopt IFRS 15 for the year ended December 31, 2018 using the cumulative effect method applying the new standard as of January 1, 2018 with no restatement of comparative periods. In order to determine the impact of the new standard, the Company assessed its revenue sources and contracts that it uses to provide services to customers. Enterprise provides services based upon orders that include fixed or determinable prices based upon daily, monthly or contracted rates generally with no post-service obligations. The Company expects revenue recognition to occur over time as services are performed. As a result, the Company has concluded that there is no material impact of IFRS 15 on its financial position or results of operations based on the assessment to date. The Company will be required to disclose significant judgments when determining the transaction price, the allocation of the transaction price, and specific performance obligations. During 2017, the Company assessed the impact of the increased disclosures including updating processes to collect and report such information.

IFRS 16 - Leases

In January 2016, the IASB issued a new standard on leases. IFRS 16 - Leases will require lessees to recognize assets

and liabilities for most leases under a single accounting model for which all leases will be accounted for, with certain exemptions. For lessors, IFRS 16 is expected to have little change from existing accounting standards (IAS 17 - Leases). IFRS 16 will be effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted, provided the new revenue standard, IFRS 15 has been applied or is applied at the same date as IFRS 16. The Company is continuing to assess the impact of IFRS 16 on its financial position and results of operations.

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.

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 utilities/infrastructure construction industry, as well as customers in the oil and gas industry. Credit risk is mitigated due to significant customers being large industry leaders and following a program of credit evaluation and limiting the amount of customer credit where deemed necessary. The Company monitors trade receivables 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. Losses from trade accounts receivable have not historically been significant. As such the Company has recorded a provision of doubtful accounts at December 31, 2017 of \$172,000 (December 31, 2016 - \$145,300).

At December 31, 2017, \$1,804,000 or 19% of trade receivables was from two customers compared to \$1,095,000 or 12% from two customers as at December 31, 2016.

	2017		2016	
Current (less than 90 days)	\$	10,946,163	\$	7,923,838
Past due (more than 90 days)		547,284		1,092,707
Total	\$	11,493,447	\$	9,016,545

Included in trade receivables past due (more than 90 days) is \$nil (December 31, 2016 - \$51,264) of holdback receivables.

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. Management believes that forecasted cash flows from operating activities, along with available lines of credit, will provide sufficient cash requirements to cover the Company's forecasted normal operating activities, commitments and capital expenditures.

The following are undiscounted contractual maturities of financial liabilities, excluding estimated interest and the impact of netting agreements at December 31, 2017:



Contractual Obligations December 31, 2017	Total	2018	2019	2020	2021	2022	After 5 years
Trade and other payables	\$2,527,364	\$2,527,364	\$nil	\$nil	\$nil	\$nil	\$nil
Loans and borrowings	\$22,133,931	\$398,952	\$100,598	\$20,775,408	\$99,922	\$104,080	\$654,971
Operating lease commitments	\$1,437,579	\$725,315	\$629,313	\$70,959	\$11,992	\$nil	\$nil
Total contractual obligations	\$26,098,874	\$3,651,631	\$729,911	\$20,846,367	\$111,914	\$104,080	\$654,971

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 December 31, 2017 to impact the Company's annual interest expense by approximately \$218,000 (December 31, 2016 - \$228,000). 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, warrants 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 December 31, 2017 the Company has met these objectives.

	2017		2016	
Bank loan	\$	20,424,199	\$	21,214,450
Current portion of long-term debt		398,952		1,268,796
Long-term debt		1,310,780		1,679,066
Net funded debt		22,133,931		24,162,312
Shareholders' equity		51,991,778		52,970,369
Total capital	\$	74,125,709	\$	77,132,681

The Company's covenants are as follows:

	December 31, 2017	Required	December 31, 2016	Required
Fixed charge coverage ratio	2.49	>1.25	N/A	N/A
Senior leverage ratio	3.23	<6.25	N/A	N/A
EBITDA	N/A	N/A	\$2,554,593	\$2,365,000
Net capital expenditure	\$1,022,057	<\$1,125,000	\$1,098,896	\$1,125,000

"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.

"EBITDA" - earnings before finance expense, taxes, depreciation and amortization, loss (gain) on disposal of property, plant and equipment, fair value adjustments, impairment losses and share-based payments.

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. The Company is in compliance with all covenants.

Financial Instruments and Business Risks

A change in any one of these factors could have a material impact on the financial performance of the Company. The discussion below 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 15, 2018.

The Company classifies financial assets and liabilities as either available-for-sale, loans and receivables or other financial liabilities. The classification of a financial asset or liability is determined at the time of initial recognition. Financial instruments are initially recognized at fair value and are measured subsequently as described below. The Company does not enter into derivative contracts.

i. Loans and receivables

The Company's cash and cash equivalents, trade and other receivables, and deposits are classified as loans and receivables. Loans and receivables are subsequently measured at amortized cost using the effective interest method.

ii. Other financial liabilities

The Company's loans and borrowings and trade and other payables are classified as other financial liabilities. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial instruments are classified into one of the following levels of fair value hierarchy:

Level 1 - Fair value measurements based on unadjusted quoted market prices in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 - Fair value measurements are 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.
- Cyclicity – The Company has a significant portion of its revenues tied directly to oil and gas pipeline construction industry in Western Canada. These revenues are subject to any cyclicity of the industry. To mitigate this risk the Company has diversified its revenue stream to include pipeline maintenance, transportation infrastructure, and directional drilling and installation of underground utility infrastructure, all of which are less seasonal than pipeline construction.
- 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.

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 15, 2018.

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 December 31, 2017 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 December 31, 2017, 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 December 31, 2017.

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 income (loss) to EBITDA:

	Three months December 31, 2017	Three months December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015 restated ⁽¹⁾⁽²⁾
Net income (loss) from continuing operations	\$388,319	\$(8,047,925)	\$(874,592)	(\$12,922,496)	(\$19,906,559)
Add:					
Interest	430,216	564,501	1,661,197	2,158,339	2,607,575
Income taxes expense (recovery)	278,010	(263,772)	(174,178)	(2,630,655)	(3,343,936)
Depreciation and amortization	1,491,060	1,553,380	5,970,957	6,915,296	7,480,492
Loss (gain) on disposal of property, plant and equipment	(21,560)	(372,585)	401,600	553,672	192,005
Fair value adjustment	Nil	Nil	55,000	130,000	Nil
Impairment losses	Nil	8,436,911	Nil	8,436,911	16,558,240
Share-based payments	Nil	(42,750)	Nil	1,210,827	1,912,443
EBITDA	\$2,566,045	\$1,827,760	\$7,039,984	\$3,851,894	\$5,500,260

(1) In July 2016, the Company closed a transaction to divest substantially all the assets of TCB. The net operations of TCB, including the prior period, are presented as a single amount in the consolidated statements of loss and comprehensive loss.

(2) In December 2016, the Company decided to cease all operations relating to trenchless single pass tunneling. The net operations of this line of business, including the prior period, are presented as a single amount in the consolidated statements of loss and comprehensive loss.

CONCLUSION

Due to increased activity in 2017, management's confidence is building in its outlook for the Company and its services. Management believes that Enterprise is relatively well positioned due to the diversity of its business and operational performance. Management also believes that a balanced and diversified position between infrastructure and utilities construction and specialized equipment rental is the best path to generating shareholder value.

Throughout 2017, management has experienced a meaningful increase in activity from its existing customers coupled with a substantial surge in new customers which has resulted in increased market share for its business units. As evidenced by this most recent quarter, management's efforts to streamline and maximize efficiencies are translating into improved margins quarter after quarter. Management feels that Enterprise is within a very select group of producers and service providers that have adapted their organizations to operate successfully in the current commodity price environment.

Enterprise's customers include some of Canada's largest energy producers, utility service providers and the federal and provincial governments of Canada. The Company employs experienced management and is committed to maintaining a high quality of service provided to its clients. With the diversification of the Company's services, streamlining of our operations, our cash management measures, management believes the Company is well positioned to navigate a difficult commodity price environment.

Management continues to drive cost reductions throughout the Company to assist in offsetting pricing pressures and reduced activity. Although cost reductions will continue in 2018, management is committed to maintaining the quality of service provided to its clients in order to position the Company for the future increases in activity levels and large project approval.

Management remains confident in its strategic and operational plans and has a seasoned leadership team to guide the Company. Enterprise is committed to its customer base throughout the Western Canadian provinces and strives to provide excellent customer service and is excited about its future prospects.



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

Rich Hoffart, Chief Operating Officer (resigned April 30, 2017)

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

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

Neil Darling, Director

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