



Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three and nine months ended September 30, 2018 and 2017

**National Instrument 51-102
Continuous Disclosure Obligations
Notice**

Pursuant to Part 4.3 (3) of National Instrument 51-102, these unaudited condensed interim consolidated financial statements of Enterprise Group, Inc. for the three and nine months ended September 30, 2018, have not been reviewed by the Company's external auditors.

ENTERPRISE GROUP, INC.

Condensed Interim Consolidated Statements of Financial Position

	September 30, 2018 (unaudited)	December 31, 2017 (audited)
Assets		
Cash and cash equivalents (note 4)	\$ 546,902	\$ 1,291,785
Trade and other receivables (note 4)	5,999,820	11,493,447
Income taxes recoverable	-	266,137
Unbilled revenue	755,894	520,344
Inventories	259,296	1,289,508
Deposits and prepaid expenses	338,711	276,100
	7,900,623	15,137,321
Property, plant and equipment (note 5)	48,183,569	58,258,894
Goodwill	2,350,529	2,350,529
Intangible assets	1,771,769	2,051,813
Deferred tax assets	4,317,338	3,683,773
	56,623,205	66,345,009
Total assets	\$ 64,523,828	\$ 81,482,330
Liabilities		
Trade and other payables (note 4)	\$ 1,862,852	\$ 2,527,364
Income taxes payable	30,895	-
Current portion of loans and borrowings (note 7)	250,448	398,952
	2,144,195	2,926,316
Long term portion of loans and borrowings (note 7)		
Bank loan facility	6,340,288	20,424,199
Finance leases	93,924	263,849
Mortgage	978,212	1,046,931
Deferred tax liabilities	4,778,900	4,829,257
	14,335,519	29,490,552
Equity		
Share capital (note 8)	79,204,845	79,736,972
Warrants (note 9)	701,210	701,210
Contributed surplus	7,099,031	6,737,805
Deficit	(36,816,777)	(35,184,209)
	50,188,309	51,991,778
Total equity and liabilities	\$ 64,523,828	\$ 81,482,330

Approved on behalf of the Board:

_____(Signed)_____ "Leonard D. Jaroszuk" Director

_____(Signed)_____ "John Pinsent, FCPA, FCA, ICD.D." Director

Condensed Interim Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income

	Three months September 30, 2018	Three months September 30, 2017 (restated note 3)	Nine months September 30, 2018	Nine months September 30, 2017 (restated note 3)
Revenue	\$ 4,846,989	\$ 5,706,413	\$ 14,897,845	\$ 16,954,144
Direct expenses	(4,253,916)	(4,434,172)	(13,491,398)	(12,509,378)
Gross margin	593,073	1,272,241	1,406,447	4,444,766
General and administrative expenses	(550,871)	(496,980)	(2,060,662)	(2,029,343)
Depreciation of property, plant and equipment	(1,304,108)	(1,232,179)	(3,850,188)	(3,825,412)
Finance expense	(184,035)	(290,500)	(660,100)	(926,739)
Fair value interest adjustment on bank loan facility (note 7)	11,367	-	440,317	-
Amortization of intangible assets	(93,348)	(76,043)	(280,043)	(223,546)
Gain (loss) on sale of property, plant and equipment	15,257	(275,856)	(140,453)	(421,990)
Fair value adjustment on investment property (note 6)	-	(55,000)	-	(55,000)
Gain on foreign exchange	5,706	6,139	3,676	6,241
Other (expense) income	(14,744)	77,938	(10,454)	3,514
Loss before income tax	(1,521,703)	(1,070,240)	(5,151,460)	(3,027,509)
Income tax recovery	444,466	341,944	1,426,456	806,539
Net loss from continuing operations	(1,077,237)	(728,296)	(3,725,004)	(2,220,970)
(Loss) gain from discontinued operations, net of tax (note 3)	(22,983)	1,057,229	2,480,290	911,972
Net (loss) income and comprehensive (loss) income	\$ (1,100,220)	\$ 328,933	\$ (1,244,714)	\$ (1,308,998)
Net (loss) earnings per share (note 10)				
Basic and diluted (loss) earnings per share	\$ (0.02)	\$ 0.01	\$ (0.02)	\$ (0.02)

ENTERPRISE GROUP, INC.

Condensed Interim Consolidated Statements of Cash Flows

	Nine months September 30, 2018	Nine months September 30, 2017
Cash flows from operating activities:		
Net loss	\$ (1,244,714)	\$ (1,308,998)
Adjustments for:		
Depreciation of property, plant and equipment	3,995,397	4,256,351
Amortization of intangible assets	280,043	223,546
(Gain) loss on sale of property, plant and equipment	(6,153,921)	484,609
Fair value adjustment	-	55,000
Deferred income tax recovery	(540,522)	(417,808)
Finance expense	770,213	1,230,981
Fair value interest adjustment on bank loan facility (note 7)	(440,317)	-
Change in non-cash working capital (note 12)	5,858,198	(541,625)
Net cash provided by operating activities	2,524,377	3,982,056
Cash flows from financing activities:		
Net repayment of bank loan facility	(14,138,676)	(568,198)
Interest and borrowing costs paid on loans and borrowings	(806,385)	(1,158,660)
Repayment of term loan	-	(23,340)
Repayment of finance lease liabilities	(321,174)	(998,262)
Repayment of mortgage facility	(65,974)	(63,314)
Share buyback and cancellation	(170,901)	-
Net cash used by financing activities	(15,503,110)	(2,811,774)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(5,283,535)	(1,331,964)
Proceeds on sale of property, plant and equipment	17,517,385	502,208
Net cash provided (used) by investing activities	12,233,850	(829,756)
Change in cash and cash equivalents	(744,883)	340,526
Cash and cash equivalents, beginning of period	1,291,785	691,718
Cash and cash equivalents, end of period	\$ 546,902	\$ 1,032,244

Net cashflows attributed to discontinued operations (note 3)

ENTERPRISE GROUP, INC.

Condensed Interim Consolidated Statements of Changes in Equity

	Number of common shares	Share capital	Warrants	Contributed surplus	Deficit	Total
Balance as at December 31, 2016	55,652,374	\$79,930,146	\$1,448,381	\$6,815,970	\$(35,224,128)	\$52,970,369
Extension of warrants	-	-	228,789	(228,789)	-	-
Net loss	-	-	-	-	(1,308,998)	(1,308,998)
Balance as at September 30, 2017	55,652,374	\$79,930,146	\$1,677,170	\$6,587,181	\$(36,533,126)	\$51,661,371
Balance as at December 31, 2017	55,517,874	\$79,736,972	\$701,210	\$6,737,805	\$(35,184,209)	\$51,991,778
Fair value adjustment on bank loan facility (note 7)	-	-	-	-	(387,854)	(387,854)
Common shares repurchased and cancelled (note 8)	(370,500)	(532,127)	-	361,226	-	(170,901)
Net loss	-	-	-	-	(1,244,714)	(1,244,714)
Balance as at September 30, 2018	55,147,374	\$79,204,845	\$701,210	\$7,099,031	\$(36,816,777)	\$50,188,309

1. Reporting entity

Enterprise Group, Inc. ("Enterprise" or the "Company") is a public company incorporated under the Alberta Business Corporations Act and its shares are listed on the Toronto Stock Exchange under the symbol "E". Enterprise is a consolidator of businesses providing services to the utility, energy and construction industries. The Company has a fleet of trucks and heavy equipment to provide rental services for heavy equipment, flameless heating units and oilfield site service infrastructure throughout Western Canada. Enterprise's head office is located at #2, 64 Riel Drive, St. Albert, Alberta, T8N 4A4.

The financial statements of the Company as at September 30, 2018, and December 31, 2017, are comprised of the Company and its wholly owned subsidiaries. The consolidated financial statements were authorized for issue by the Board of Directors on November 7, 2018.

2. Significant accounting policies

The unaudited condensed interim consolidated financial statements are prepared by management and reported in Canadian dollars, in accordance with International Accounting Standard "IAS" 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's 2017 Audited Consolidated Financial Statements and the notes thereto.

The unaudited condensed interim consolidated financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in the Company's Audited Consolidated Financial Statements for the fiscal year ended December 31, 2017.

IFRS 9 - Financial Instruments

Debt instruments are measured initially at amortized cost using the effective interest method. Upon initial adoption of the policy, any increase or decrease to the fair value of future cash flows of debt instruments is charged to opening retained earnings. Subsequent to initial recognition, the fair value of the debt instrument charge is amortized over the remaining term of the debt instrument through the consolidated statements of income and comprehensive income.

After initial adoption, Management will monitor debt instruments for significant events that affect fair value of future cash flows. Significant events may include amendments, large debt repayments or large draws on the debt instrument. Fair value changes may positively or negatively impact the consolidated statements of income and comprehensive income.

IFRS 15 - Revenue from Contracts with Customers

Revenue contracts are accounted for using the cumulative effect method starting January 1, 2018, with no restatement of comparative periods. Services are based upon orders that include fixed or determinable prices based upon daily, monthly or contracted rates generally with no post-service obligations. Revenue recognition is achieved over time as performance obligations are delivered. The new policy had no impact on the fiscal year ended December 31, 2017, or the results of operations for the current period ended September 30, 2018.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2018 and 2017

3. Discontinued operations

On March 22, 2018, Enterprise Group, Inc., closed a transaction to divest substantially all of the assets of Calgary Tunnel & Horizontal Augering Ltd. (CTHA). Gross proceeds, including working capital, from the transaction was \$20,194,992. Working capital is being paid out over time with the final payment due in Q2 2019. The remaining net working capital receivable included in Trade and other receivables at September 30, 2018, is \$2,415,375. On October 16, 2018, the Company received a net working capital payment in the amount of \$1,057,325. All proceeds from the transaction will be deployed against the Company's debt.

Income from discontinued operations, including the prior period figures, are presented as a single amount in the Consolidated statements of (loss) income and comprehensive (loss) income and excludes all intercompany transactions. This amount comprises the post-tax income of the discontinued operations and the post-tax gain (loss) resulting from the measurement and disposal of the assets. All intercompany transactions have been excluded.

For the three months ended September 30	T.C. Backhoe & Directional Drilling 2018	CTHA 2018	Total 2018	T.C. Backhoe & Directional Drilling 2017	CTHA 2017	Total 2017
Revenue	\$ -	\$ -	\$ -	\$ -	\$ 5,331,911	\$ 5,331,911
Direct expenses	-	-	-	-	(3,211,936)	(3,211,936)
Gross margin	-	-	-	-	2,119,975	2,119,975
General and administrative expenses	-	(31,483)	(31,483)	-	(209,508)	(209,508)
Depreciation of property, plant and equipment	-	-	-	-	(145,609)	(145,609)
Finance expense	-	-	-	-	(116,834)	(116,834)
Other expense	-	-	-	-	(163,858)	(163,858)
(Loss) income before income tax	-	(31,483)	(31,483)	-	1,484,166	1,484,166
Income tax recovery (expense)	-	8,500	8,500	-	(400,725)	(400,725)
(Loss) income from operations	-	(22,983)	(22,983)	-	1,083,441	1,083,441
Loss on sale of assets	-	-	-	(34,089)	(883)	(34,972)
Deferred tax recovery on sale of assets	-	-	-	8,522	238	8,760
Loss on sale of assets, net of tax	-	-	-	(25,567)	(645)	(26,212)
(Loss) income from discontinued operations	\$ -	\$ (22,983)	\$ (22,983)	\$ (25,567)	\$ 1,082,796	\$ 1,057,229

Notes to Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2018 and 2017

For the nine months ended September 30	T.C. Backhoe & Directional Drilling 2018	CTHA 2018	Total 2018	T.C. Backhoe & Directional Drilling 2017	CTHA 2017	Total 2017
Revenue	\$ -	\$ 1,320,262	\$ 1,320,262	\$ -	\$ 10,030,915	\$ 10,030,915
Direct expenses	-	(1,211,176)	(1,211,176)	-	(7,223,343)	(7,223,343)
Gross margin	-	109,086	109,086	-	2,807,572	2,807,572
General and administrative expenses	-	(976,390)	(976,390)	-	(603,006)	(603,006)
Depreciation of property, plant and equipment	-	(145,209)	(145,209)	-	(430,939)	(430,939)
Finance expense	-	(110,113)	(110,113)	-	(304,242)	(304,242)
Other income (expense)	-	13,235	13,235	-	(155,805)	(155,805)
(Loss) income before income tax	-	(1,109,391)	(1,109,391)	-	1,313,580	1,313,580
Income tax recovery (expense)	-	299,535	299,535	-	(354,667)	(354,667)
(Loss) income from operations	-	(809,856)	(809,856)	-	958,913	958,913
Gain (loss) on sale of assets	-	4,507,049	4,507,049	(61,449)	(1,170)	(62,619)
Deferred tax (expense) recovery on sale of assets	-	(1,216,903)	(1,216,903)	15,362	316	15,678
Gain (loss) on sale of assets, net of tax	-	3,290,146	3,290,146	(46,087)	(854)	(46,941)
Income (loss) from discontinued operations	\$ -	\$ 2,480,290	\$ 2,480,290	\$ (46,087)	\$ 958,059	\$ 911,972

Cash flows from discontinued operations are as follows:

For the nine months ended September 30	T.C. Backhoe & Directional Drilling 2018	CTHA 2018	Total 2018	T.C. Backhoe & Directional Drilling 2017	CTHA 2017	Total 2017
Operating	\$ -	\$ (134,132)	\$ (134,132)	\$ (46,087)	\$ (37,200)	\$ (83,287)
Financing	\$ -	\$ (15,857)	\$ (15,857)	\$ -	\$ (72,917)	\$ (72,917)
Investing	\$ -	\$ 16,799,995	\$ 16,799,995	\$ -	\$ (295,400)	\$ (295,400)

4. Financial instruments and risk management

(a) Fair value of financial instruments

The estimated fair value of the Company's financial instruments approximates the amount for which the financial instrument could currently be exchanged in an arm's length transaction between willing parties who are under no compulsion to act. The carrying value of trade and other receivables, deposits and trade and other payables, approximate fair value because of the near term to maturity of these instruments. The fair value of loans and borrowings is a level 2 measurement and are based on discounted future cash flows using the rates that reflect observable current market rates for similar instruments with similar terms and conditions. The estimated fair value approximates the carrying value at September 30, 2018.

Notes to Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2018 and 2017

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

	September 30, 2018	December 31, 2017
Financial assets		
Cash and cash equivalents	\$ 546,902	\$ 1,291,785
Trade and other receivables	\$ 5,999,820	\$ 11,493,447
Deposits	\$ 104,262	\$ 102,623
Financial liabilities		
Trade and other payables	\$ 1,862,852	\$ 2,527,364
Loans and borrowings	\$ 7,662,872	\$ 22,133,931

Financial risk management

The Company's activities expose it to a variety of financial risks such as credit risk, liquidity risk and market risk. The Board of Directors oversees management's establishment and execution of the Company's risk management framework.

(b) 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, 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. The Company has recorded a provision for doubtful accounts at September 30, 2018, of \$24,245 (December 31, 2017 - \$172,000).

At September 30, 2018, \$1,133,000 or 25% of trade receivables was from two customers compared to \$1,804,000 or 19% from two customers as at December 31, 2017.

	September 30, 2018	December 31, 2017
Current (less than 90 days)	\$ 5,840,172	\$ 10,946,163
Past due (more than 90 days)	159,648	547,284
Total	\$ 5,999,820	\$ 11,493,447

(c) 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. For the three months ended September 30, 2018, the Company generated 40% of revenue from two customers (2017 - 25% from one customer) and for the nine months ended September 30, 2018, the Company generated 30% of revenue from one customer (2017 - 27% from one customer). No other customers comprise more than 10% of revenues.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2018 and 2017

The following are undiscounted contractual maturities of financial liabilities, including estimated interest at September 30, 2018, and December 31, 2017:

September 30, 2018	Carrying amount	Contractual cash flows	Due within one year	Two-five years	More than five years
Trade and other payables	\$ 1,862,852	\$ 1,862,852	\$ 1,862,852	\$ -	\$ -
Loans and borrowings	7,662,872	8,910,642	629,823	7,648,386	632,433
Operating lease commitments	-	1,683,381	1,043,020	636,245	4,116
	\$ 9,525,724	\$ 12,456,875	\$ 3,535,695	\$ 8,284,631	\$ 636,549

December 31, 2017	Carrying amount	Contractual cash flows	Due within one year	Two-five years	More than five years
Trade and other payables	\$ 2,527,364	\$ 2,527,364	\$ 2,527,364	\$ -	\$ -
Loans and borrowings	22,133,931	26,136,904	1,747,921	23,656,692	732,291
Operating lease commitments	-	1,437,579	725,315	712,264	-
	\$ 24,661,295	\$ 30,101,847	\$ 5,000,600	\$ 24,368,956	\$ 732,291

At September 30, 2018, \$714,093 in operating lease payments were expensed during the period (2017 - \$768,203).

(d) 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 September 30, 2018, to impact the Company's annual interest expense by approximately \$76,000 (December 31, 2017 - \$218,000). 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 September 30, 2018, the Company has met these objectives.

	September 30, 2018	December 31, 2017
Bank loan	\$ 6,340,288	\$ 20,424,199
Current portion of long term debt	250,448	398,952
Long term debt	1,072,136	1,310,780
Net funded debt	7,662,872	22,133,931
Shareholders' equity	50,188,309	51,991,778
Total capital	\$ 57,851,181	\$ 74,125,709

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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.

"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 Company's covenants are as follows:

	September 30, 2018	Required	December 31, 2017	Required
Fixed charge coverage ratio	1.26	> 1.25	2.49	> 1.25
Senior leverage ratio	5.33	< 6.25	3.23	< 6.25
Net capital expenditure (recovery)	\$(12,233,850)	< \$1,125,000	\$1,022,057	< \$1,125,000

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 September 30, 2018, the Company is in compliance with all covenants.

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. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

5. Property, plant and equipment

Cost or deemed cost	Balance at December 31, 2017	Additions	Disposals	Divestiture (note 3)	Balance at September 30, 2018
Land	\$ 3,725,000	\$ 559,210	\$ -	\$ -	\$ 4,284,210
Buildings	422,131	-	(3,138)	(131,000)	287,993
Leasehold improvements	770,647	-	(319,627)	(59,396)	391,624
Computers and communication equipment	429,183	4,001	(7,804)	(42,666)	382,714
Small equipment	2,411,245	14,227	-	(581,192)	1,844,280
Light automotive equipment	2,887,722	-	(9,000)	(481,746)	2,396,976
Heavy automotive, construction and portable rental equipment	73,496,842	4,386,494	(1,213,739)	(12,706,659)	63,962,938
Property, plant and equipment under construction	1,113,177	319,603	(36,609)	(450,398)	945,773
	\$ 85,255,947	\$ 5,283,535	\$(1,589,917)	\$ (14,453,057)	\$ 74,496,508

	Accumulated depreciation				Carrying amounts		
	Balance at December 31, 2017	Depreciation for the year	Disposals	Divestiture (note 3)	Balance at September 30, 2018	Balance at December 31, 2017	Balance at September 30, 2018
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,725,000	\$ 4,284,210
Buildings	28,583	6,927	(141)	(6,222)	29,147	393,548	258,846
Leasehold improvements	585,842	86,485	(302,025)	(44,095)	326,207	184,805	65,417
Computers and communication equipment	357,579	41,338	(6,248)	(35,146)	357,523	71,604	25,191
Small equipment	1,829,669	94,720	-	(311,691)	1,612,698	581,576	231,582
Light automotive equipment	1,778,386	266,622	(7,200)	(316,848)	1,720,960	1,109,336	676,016
Heavy automotive, construction and portable rental equipment	22,416,994	3,499,305	(421,463)	(3,228,432)	22,266,404	51,079,848	41,696,534
Property, plant and equipment under construction	-	-	-	-	-	1,113,177	945,773
	\$ 26,997,053	\$ 3,995,397	\$ (737,077)	\$ (3,942,434)	\$ 26,312,939	\$ 58,258,894	\$ 48,183,569

Notes to Condensed Interim Consolidated Financial Statements
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Included in the carrying amount of \$48,183,569 is \$943,929 (2017 - \$1,112,806) of heavy automotive, construction and portable rental equipment under construction and \$1,844 (2017 - \$371) of computers and equipment, which is not being depreciated as they are not yet available for use. The \$319,603 included in property, plant, and equipment under construction is the net additions for assets in build in 2018. The total cash outflows for assets in build was \$931,820 where the equipment was started and completed in 2018. This is offset by \$612,217 in assets disclosed as additions under heavy automotive, construction and portable rental equipment.

6. Investment property

In December 2017, the Company reclassified the investment property to "Land" in property, plant, and equipment as the property will be used in the on going operations of the Company. The land was reclassified at fair value at the date of change in use of \$3,725,000.

As of September 30, 2018, there were no transactions related to the property besides the ongoing rental revenue earned. As of September 30, 2018, rental income earned from the land was \$209,595 (2017 - \$157,285).

On September 30, 2017, the Company obtained an independent appraisal of the investment property. The appraisal valued the investment property at \$3,725,000 (2016 - \$3,780,000) and as such the carrying value was decreased to agree to the valuation as reported. The Company classified this asset as level 3 on the fair value hierarchy. An independent appraisal was not obtained at September 30, 2018.

The appraisal was carried out using the Direct Comparison Approach which involves comparing similar properties that have sold or are listed for sale, often on a unit basis, applying adjustments for differences between the properties. The significant unobservable input is the adjustment for factors specific to the property. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for the valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

7. 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.

	September 30, 2018	December 31, 2017
Current portion of loans and borrowings		
Current portion of finance lease liabilities	\$ 159,285	\$ 310,534
Current portion of mortgage facilities	91,163	88,418
Total current portion of loans and borrowings	250,448	398,952
Non-current portion of loans and borrowings		
Bank loan facility	6,340,288	20,424,199
Finance lease liabilities	93,924	263,849
Mortgage facilities	978,212	1,046,931
Total non-current portion loans and borrowings	7,412,424	21,734,979
Total loans and borrowings	\$ 7,662,872	\$ 22,133,931

(a) Bank loan facility

On January 1, 2018, the Company adopted IFRS 9 which impacted the fair value resulting from contract amendments to the bank loan facility. On August 11, 2016, the facility had a significant amendment to future cash flows in which the interest rate was amended to prime plus 3.0% from prime plus 2.0%. The Company calculated the present value of future cash flows which resulted in an increase to the debt balance of \$531,254. The offset was recorded to retained earnings. The fair value change will be amortized over the remaining term of the bank loan facility, decreasing the loan balance and interest expense.

On March 22, 2018, the Company divested substantially all of the assets of CTHA which resulted in a significant repayment of the bank loan facility. The result was a decrease of \$417,583 to the interest expense and fair value change on bank loan facility during the period. During the third quarter, a reduction to interest expense of \$11,367 was recorded bringing the total reduction for the nine months ended September 30, 2018, to \$440,317.

Notes to Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2018 and 2017

8. Share capital

Authorized:

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

Normal course issuer bid

During the third quarter, the Company repurchased and cancelled 60,000 shares valued at \$28,800. During the first nine months of 2018, the Company repurchased and cancelled a total of 370,500 shares valued at \$170,901. The shares were purchased in the open market in accordance with the normal course issuer bid approved by the TSX. The bid commenced August 21, 2018, and will terminate on August 20, 2019, or such earlier time as the bid is completed or terminated at the option of the Company.

9. Share-based payments

(a) Share purchase warrants

	September 30, 2018			December 31, 2017		
	Number	Weighted average exercise price	Value	Number	Weighted average exercise price	Value
Warrants outstanding, beginning of period	6,183,500	\$ 0.50	\$ 701,210	7,021,768	\$ 0.77	\$ 1,448,381
Agent warrants expired	-	\$ -	-	(838,268)	\$ 2.73	(975,960)
Extension of private placement warrants	-	\$ -	-	-	\$ -	228,789
Warrants outstanding, end of period	6,183,500	\$ 0.50	\$ 701,210	6,183,500	\$ 0.50	\$ 701,210

On October 1, 2018, the remaining 6,183,500 warrants expired unexercised.

Notes to Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2018 and 2017

10. (Loss) earnings per share

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

	Three months September 30, 2018	Three months September 30, 2017 (restated-note 3)	Nine months September 30, 2018	Nine months September 30, 2017 (restated-note 3)
Weighted average common shares outstanding - basic	55,167,591	55,652,374	55,297,920	55,652,374
Net loss from continuing operations	\$(1,077,237)	\$(728,296)	\$(3,725,004)	\$(2,220,970)
Basic and diluted loss per share from continuing operations	\$(0.02)	\$(0.01)	\$(0.07)	\$(0.04)
Net (loss) income from discontinued operations	(22,983)	1,057,229	2,480,290	911,972
Basic and diluted (loss) earnings per share from discontinued operations	\$ 0.00	\$ 0.02	\$ 0.04	\$ 0.02
Net (loss) income and comprehensive (loss) income	(1,100,220)	328,933	(1,244,714)	(1,308,998)
Basic and diluted (loss) earnings per share from comprehensive (loss) income	\$(0.02)	\$ 0.01	\$(0.02)	\$(0.02)

11. 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. 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 the Company in his role. 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.

Nine months ended September 30,	2018	2017
Management and consulting fees	\$ 872,574	\$ 431,169
Equipment rental	112,500	112,500
	\$ 985,074	\$ 543,669

In addition, in the first quarter, a success fee of \$600,000, associated with the CTHA transaction as described in note 3, were paid to companies controlled by Leonard Jaroszuk, President and Chief Executive Officer, Desmond O'Kell, Senior Vice President and Director, and Warren Cabral, Chief Financial Officer. These transactions were recorded at the exchange amount established and agreed to by the parties.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2018 and 2017

12. Supplemental cash flow information

Nine months September 30,	2018	2017
(a) Changes in non-cash working capital:		
Trade and other receivables	\$ 5,493,627	\$ (1,543,934)
Income taxes recoverable	266,137	374,945
Unbilled revenue	(235,550)	150,963
Inventories	1,030,212	8,849
Deposits and prepaid expenses	(62,611)	(183,931)
Trade and other payables	(664,512)	651,483
Income taxes payable	30,895	-
	\$ 5,858,198	\$ (541,625)
(b) Other non-cash transactions:		
Equipment purchased under finance leases	\$ -	\$ 27,417
Amortization of prepaid borrowing costs	\$ 75,895	\$ 235,470

(c) Cash taxes paid

Cash taxes received for the nine months ended September 30, 2018, was \$265,597 (2017 - \$424,687).