



**Management's Discussion and Analysis**

**For the years ended December 31, 2021 and 2020**



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **For the years ended December 31, 2021 and 2020**

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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 years ended December 31, 2021, and 2020. The Company prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The documents are available at [www.sedar.com](http://www.sedar.com) and at [www.enterprisegrp.ca](http://www.enterprisegrp.ca).

*This MD&A was prepared effective March 10, 2022.*

### **FORWARD-LOOKING INFORMATION**

Certain information in the MD&A, other than statements of historical fact, may include forward-looking information that involves various risks and uncertainties. Forward-looking statements may contain words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue", and similar expressions and statements relating to matters that are not historical facts. These may include, without limitation, statements based on current expectations involving a number of risks and uncertainties related to pipeline and facilities construction and maintenance services associated with the oil and gas industries and utility services and the domestic and worldwide supplies and commodity prices of oil and gas.

These risks and uncertainties include, but are not limited to, seasonal weather patterns, maintaining and increasing market share, government regulation of energy and resource companies, terrorist activity, the price and availability of alternative fuels, the availability of pipeline capacity, potential instability or armed conflict in oil producing regions, overall economic environment, the success of integrating and realizing the potential of acquisitions, ability to attract and retain key personnel, technological change, demand for services provided by Enterprise, and fluctuations in the value of the Canadian dollar relative to the US dollar.

These risks and uncertainties may cause actual results to differ from information contained herein. There can be no assurance that such forward-looking information will prove to be accurate. Actual results and future events could differ materially from those anticipated in such forward-looking information. The forward-looking information is based on the estimates and opinions of management on the dates they are made and are expressly qualified in their entirety by this notice. The Company assumes no obligation to update forward-looking information should circumstances or management's estimates or opinions change as a result of new information or future events. Readers should not place undue reliance on forward-looking information.

### **COMPANY PROFILE**

The Corporation provides specialized equipment and services in the build out of infrastructure for the energy, pipeline, and infrastructure construction industries. The Corporation's focus is specialty equipment rentals and service. With corporate headquarters in St. Albert, Alberta, Canada; site offices in Morinville, Edmonton, Drayton Valley, Whitecourt, and Grande Prairie, Alberta; Pouce Coupe, and Fort St. John, British Columbia, Enterprise is strategically located near its customers. The Corporation's strategy is to acquire complementary service companies in Western Canada, consolidating capital, management and human resources to support continued growth.

Enterprise has a proven history of acquiring companies that are accretive to the operations and adding value to the acquired companies through capital expenditure and organic growth. The Company is also prepared to sell individual operations to realize the increased value and redeploy the capital.



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### **Current operations**

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

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

On October 1, 2014, Enterprise completed the acquisition of Westar Oilfield Rentals Inc. (“Westar”), a privately held oilfield site service infrastructure company based in Fort St. John, British Columbia. This acquisition provides both revenue and cost synergies with Hart. Furthermore, it provides the Company with a foothold in the important Fort St. John market and a platform from which to introduce all of Enterprise’s services. Westar also has an office and yard facility in Pouce Coupe, British Columbia. On October 1, 2020, Westar acquired 100% of the common shares outstanding of Johnston Power Sourcing Inc. (“JPSI”). JPSI was amalgamated into Westar on January 1, 2021.

### **Previous divestitures**

On March 22, 2018, the Company closed a transaction to divest substantially all the assets of Calgary Tunnelling & Horizontal Augering Ltd. (“CTHA”). CTHA provided specialized trenchless solutions for the energy, utility, and infrastructure industries. Gross cash proceeds, including working capital, from the transaction was \$20,194,992. CTHA was acquired by the Company on June 14, 2013, including working capital, for a purchase price of \$16,185,000.

On July 7, 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 including working capital \$19,842,198. TCB was acquired by the Company on April 1, 2007, for a purchase price of \$14,200,000.

### **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 in areas that are inaccessible other than during the winter months because the ground surrounding the drilling sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in the activity levels of exploration and production companies and corresponding declines in the demand for the services of the Corporation. Services provided to the utility infrastructure sector tend to be more evenly distributed throughout the calendar year although the spring thaw does affect movement of equipment even in the urban/suburban areas resulting in April and May being the slowest months of the year historically.

## **OPERATING ENVIRONMENT AND THE COVID-19 PANDEMIC**

The outbreak of the COVID-19 pandemic has negatively impacted economic conditions around the world. The decrease in oil demand, combined with other macro-economic factors, has resulted in significantly lower oil and liquids prices further driving economic uncertainty. Natural gas prices have also been volatile but in recent months the forward pricing curve has been strengthening and during the fourth quarter, activity levels increased. The Company's site infrastructure customers are substantially natural gas and gas liquids producers.

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

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

The Company utilized the Canadian Emergency Wage Subsidy Program (CEWS), the Canadian Emergency Rent Subsidy (CERS). Under these programs the Company was eligible for/or has received: CEWS of \$1,546,839 (December 2020 - \$1,61,849), CERS of \$362,027 (December 2020 - \$90,782). For the Company, these programs ended in October 2021.

In addition to the use of government programs, Enterprise has been actively controlling and reducing costs through layoffs, compensation adjustments, premises consolidation, limiting business expenses and travel, contract re-negotiations and postponement of bonuses.

The Company remains committed to maintaining a strong balance sheet and financial liquidity. The Company believes it has enough liquidity through cash flow and borrowing capacity on its credit facility to execute its business plan.

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

## OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

	Three months December 31, 2021		Three months December 31, 2020		Year ended December 31, 2021		Year ended December 31, 2020	
Revenue	<b>\$5,730,978</b>		\$3,883,145		<b>\$18,732,335</b>		\$15,520,105	
Gross margin	<b>\$2,120,460</b>	<b>37%</b>	\$1,787,065	46%	<b>\$6,631,818</b>	<b>35%</b>	\$5,194,826	33%
Adjusted Gross margin <sup>(1)(2)</sup>	<b>\$2,091,874</b>	<b>37%</b>	\$1,453,065	37%	<b>\$4,982,731</b>	<b>27%</b>	\$3,778,147	24%
Adjusted EBITDA <sup>(1)(2)</sup>	<b>\$1,547,549</b>	<b>27%</b>	\$1,010,161	26%	<b>\$2,962,020</b>	<b>16%</b>	\$2,085,177	13%
Net income (loss) and comprehensive income (loss)	<b>\$126,582</b>		\$(2,137,763)		<b>\$(2,375,818)</b>		\$(5,033,709)	
Income (loss) per share	<b>\$0.00</b>		\$(0.04)		<b>\$(0.05)</b>		\$(0.10)	

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

(2) The Canadian Emergency Wage Subsidy and Rent Subsidy Programs ended in October 2021. Starting in Q4 2021 to provide further comparability to pre-COVID operations, the Company has presented an Adjusted Gross Margin and Adjusted EBITDA to reflect the results of operations without any subsidy programs.

- The downturn in the energy industry, compounded by COVID-19, significantly reduced activity throughout Enterprise's business sector for the majority of 2021. Reduced activity from COVID-19 began at the end of the first quarter of 2020 and into the fourth quarter of 2021. Although COVID-19 protocols have allowed Enterprise's customers to return to work, activity levels have not yet returned to pre COVID-19 levels. Increased capital spending in the energy industry combined with colder weather have increased activity levels and improved results.
- Revenue for the three months ended December 31, 2021, was \$5,730,978 compared to \$3,883,145 in the prior period, an increase of \$1,847,833 or 48%. Adjusted gross margin for the three months ended December 31, 2021, was \$2,091,874 compared to \$1,453,065 in the prior period, an increase of \$638,809 or 44%. Adjusted EBITDA for the three months ended December 31, 2021, was \$1,547,549 compared to \$1,010,161 in the prior period, an increase of \$537,388 or 53%.
- Revenue for the year ended December 31, 2021, was \$18,732,335 compared to \$15,520,105 in the prior year, an increase of \$3,212,230 or 21%. Adjusted gross margin for the year ended December 31, 2021, was \$4,982,731 compared to \$3,778,147 in the prior year, an increase of \$1,204,584 or 32%. Adjusted EBITDA for the year ended December 31, 2021, was \$2,962,020 compared to \$2,085,177 in the prior year, an increase of \$876,843 or 42%.
- During the three months ended December 31, 2021, the Company purchased and cancelled 627,500 shares at a cost of \$191,313, or \$0.30 per share. These shares had a carrying value of \$1.43 per share for a total of \$893,218 which has been removed from the share capital account. For the year ended December 31, 2021, the Company purchased and cancelled 2,034,500 shares at a cost of \$507,552, or \$0.25 per share. These shares had a carrying value of \$1.43 per share for a total of \$2,903,920 which has been removed from the share capital account. Since the initiation of the share buyback program, the Company has purchased and cancelled 8,258,500 shares at a cost of \$1,676,946 or \$0.20 per share. These shares have a carrying value of \$1.43 per share for a total of \$11,843,075 which has been removed from the share capital account over the entire share buyback program. Enterprise believes its stock remains undervalued and will continue to re-invest positive cash flow to buy-back shares to enhance shareholder value.
- The Company has benefited from the Canadian Emergency Wage Subsidy and Rent Subsidy Programs ("CEWS" and "CERS") which ended in October 2021. To provide further comparability to pre-Covid operations, the Company has presented Adjusted Gross Margin and Adjusted EBITDA to reflect the results without any subsidy programs. Utilizing the CEWS and CERS programs, the Company recorded \$28,586 (\$333,798 – December 2020) against direct costs for the three months ended December 31, 2021, and \$31,624 (\$391,932 – December 2020) against Adjusted EBITDA for the three months ended December 31, 2021. Utilizing the CEWS and CERS programs, the Company recorded \$1,649,087 (\$1,416,679 – December 2020) against direct costs for the year ended December 31, 2021, and \$1,908,866 (\$1,618,866 – December 2020) against Adjusted EBITDA for the year ended December 31, 2021.



- Effective September 7, 2021, the Company changed lenders and replaced its bank loan facility with a \$30,000,000 revolving line of credit. The flexibility of the new facility gives the Company the ability to meet the needs of our customers more quickly through increased capital asset spending and organic growth, and to aggressively pursue acquisition targets. Also, a fixed interest rate provides cost stability as interest rates continue to rise and even with a fixed interest rate, the all in yearly maintenance and compliance costs of the new facility are comparable to the prior bank loan. There are no required principal repayments until the due date, September 7, 2024. The facility is subject to certain borrowing restrictions and bears interest at the 10.00%. The facility is secured by a first charge on all the Company's assets except those secured with other lenders. The facility has an option to extend for an additional twelve months if both parties mutually agree on the terms.
- For the year ended December 31, 2021, the company generated cash flow from operations of \$3,500,869 compared to \$3,983,730 in the prior period. This change is consistent with increased cash demands to support higher activity at the end of the year combined with the time it takes to monetize accounts receivable. The Company continues to utilize a combination of cash flow and debt to right-size and modernize its equipment fleet to meet customer demands. During the year ended December 31, 2021, the Company purchased \$3,845,497 of capital assets, primarily for natural gas power generation equipment, upgrading the energy efficiency of existing equipment and meeting specific requests from customers. The Company also sold equipment during the year ended December 31, 2021, and received \$1,374,962 of proceeds from those sales which were re-invested in new equipment.

### Selected Consolidated Expenses

	Three months December 31, 2021	Three months December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2020
Selected Consolidated Expenses:				
General and administrative	\$541,288	\$312,688	\$1,763,932	\$1,418,545
Finance expense	\$347,451	\$209,659	\$1,201,988	\$998,497
Depreciation of property, plant and equipment	\$1,288,531	\$2,108,068	\$5,795,696	\$6,023,927
Gain (loss) on sale of property, plant and equipment	\$155,904	\$(378,150)	\$(203,007)	\$(558,927)
Impairment of property, plant and equipment	\$nil	\$743,843	\$nil	\$743,843

#### **General and administrative expenses**

General and administrative expenses for the three months ended December 31, 2021, were \$541,288, an increase of \$228,600. The increase is largely reflective of a return to near normalized activity during the quarter compared to the reduced activity that resulted from the impact of Covid-19, which peaked in the second quarter of 2020. For the year ended December 31, 2021, general and administrative expenses were \$1,763,932, an increase of \$345,387 from the prior period. Through utilizing the Canada Emergency Wage Subsidy program and the Canada Emergency Rent Subsidy program, the Company recorded \$3,038 and \$58,134 against general and administrative costs for the three months and year ended December 31, 2021, respectively.

#### **Finance expense**

Finance expense includes interest charges on all outstanding debt including: the loan facilities with Waygar and PNC, leases, mortgage facilities, vendor take-back loans and debt modification adjustments. The Company has utilized debt to support operations, fund capital expenditures and partially fund acquisitions as required. The finance expense on long term debt for the three months ended December 31, 2021, increased to \$347,451 from \$209,659 compared to the prior period. This increase is from an increase in the bank loan facility over the prior period. For the year ended December 31, 2021, finance expense on long term debt increased to \$1,201,988 from \$998,497 compared to the prior year. This increase is from the settlement of the PNC revolver and the expensing of all associated prepaid borrowing costs of that facility and an increase on the bank loan facility which was primarily used to finance the purchase of new equipment during the year.

***Depreciation of property, plant and equipment***

Depreciation of property, plant and equipment for the three months ended December 31, 2021, was \$1,288,531, a decrease of \$819,537 compared to the prior period. For the year ended December 31, 2021, depreciation of property plant and equipment was \$5,795,696, a decrease of \$228,231 over the prior period. During the year ended December 31, 2021, the Company reviewed the residual values of its property plant and equipment and made changes to the residual values of certain assets. As a result of these changes, the Company recaptured depreciation expense of \$254,748 in heavy automotive, construction and portable rental equipment. The decrease is offset through the Company's efforts to right-size and modernize the Company's equipment fleet to meet customer demands, primarily through purchases of natural gas power generation equipment and upgrading the energy efficiency of existing equipment.

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

For the year ended December 31, 2021, the Company sold property, plant and equipment with net book value of \$1,527,558 and received proceeds of \$1,374,962. Auction results in the first quarter to 2021 were lower than the Company anticipated but improved in the latter part of 2021. The net result is a loss of \$203,007 for the year.

***Impairment of property, plant and equipment***

In 2021, oil and natural gas prices increased, and client activity also increased. As a result, no impairment was required in 2021. In 2020, oil prices saw a severe decline due to depressed demand from the COVID-19 pandemic. This triggered a decline in activity within the energy industry including numerous project delays for the Company's customers. As such, the Company has recognized an impairment of \$743,843 in its property, plant and equipment at December 31, 2020.



## SELECTED CONSOLIDATED FINANCIAL INFORMATION

	Three months December 31, 2021	Three months December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2020 <sup>(2)</sup>	Year ended December 31, 2019
Revenue	\$5,730,978	\$3,883,145	\$18,732,335	\$15,520,105	\$19,521,797
Adjusted EBITDA <sup>(1)</sup>	\$1,547,549	\$1,010,161	\$2,962,020	\$2,085,177	\$2,879,683
Income (loss) before income tax	\$83,990	\$(2,061,729)	\$(2,418,409)	\$(4,727,182)	\$(5,116,841)
Net income (loss) from continuing operations <sup>(2)</sup>	\$126,582	\$(1,548,773)	\$(2,375,818)	\$(4,444,719)	\$(5,035,705)
Net income (loss) and comprehensive income (loss) <sup>(2)</sup>	\$126,582	\$(2,137,763)	\$(2,375,818)	\$(5,033,709)	\$(5,035,705)
Basic and diluted earning (loss) per share	\$(0.00)	\$(0.04)	\$(0.05)	\$(0.10)	\$(0.09)
Weighted average common shares outstanding – basic	48,256,619	49,748,648	48,717,533	50,197,352	54,269,996
Weighted average common shares outstanding – diluted	48,256,619	49,748,648	48,717,533	50,197,352	54,269,996
Total common shares outstanding	47,883,874	49,428,374	47,883,874	49,428,374	50,975,874
Total assets	\$51,146,957	\$52,251,162	\$51,146,957	\$52,251,162	\$58,290,708
Total liabilities	\$18,925,015	\$17,244,434	\$18,925,015	\$17,244,434	\$18,026,468
Total equity	\$32,221,942	\$35,006,728	\$32,221,942	\$35,006,728	\$40,264,240

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

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

### Cash Flow Information

A summary of cash flow information for the years ended December 31, 2021, and 2020, is set out below:

Cash Flow Information	Year ended December 31, 2020	Year ended December 31, 2019
Net cash provided by operating activities	\$3,500,869	\$3,983,730
Net cash (used in) provided by financing activities	(937,408)	(2,915,053)
Net cash used in investing activities	(2,470,535)	(1,254,111)
Change in cash and cash equivalents	92,926	(185,434)
Cash and cash equivalents, beginning of year	783,617	969,051
Cash and cash equivalents, end of year	\$876,543	\$783,617

The Company continues to generate positive cashflow from operations. Operating activities provided net cash of \$3,500,869 compared to \$3,983,730 in the prior year. This change is consistent with increased cash demands to support higher activity at the end of the year combined with the time it takes to monetize accounts receivable.





Net cash used in financing activities reflects the regular debt reduction payments made during the year of \$1,655,401, which were primarily covered by operational cashflow. Financing activities also includes \$507,552 used in the share buyback program plus a net increase to the bank loan facility of \$2,570,478.

Net cash used in investing activities reflects \$3,845,497 paid to purchase property, plant and equipment and \$1,374,962 of cash received from the sale of equipment. The net assets purchased through investing activities of \$2,470,535 was primarily financed through bank loan facility. The majority of equipment purchased during the year was to meet customer demands.

### SUMMARY OF QUARTERLY RESULTS

	2021				2020			
	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31
Revenue	\$5,730,978	\$3,916,528	\$3,225,543	\$5,859,287	\$3,883,145	\$2,505,840	\$2,144,570	\$6,986,550
Net income (loss) for the period	\$126,582	\$(969,492)	\$(1,626,547)	\$93,639	\$(2,137,763)	\$(1,555,677)	\$(1,844,963)	\$504,694
Earnings (loss) per share - Basic and Diluted	\$0.00	\$(0.02)	\$(0.03)	\$0.00	\$(0.04)	\$(0.03)	\$(0.04)	\$0.01

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

### OUTSTANDING SHARE DATA

	March 10, 2022	December 31, 2021	December 31, 2019
Common shares outstanding	47,470,374	47,883,874	49,428,374
Stock options outstanding	4,881,000	4,881,000	5,025,000
Total	52,351,374	52,764,874	54,453,374

### OFF-BALANCE SHEET ARRANGEMENTS

Enterprise enters into short-term and long term leases with various vendors to provide office space and equipment in our normal course of operations. Our commitments under leases are disclosed in the table labeled “Contractual Obligations.” Enterprise does not have off-balance sheet arrangements as at December 31, 2021.

### RELATED PARTY TRANSACTIONS

The Company has entered into a transaction in the normal course of business with a corporation controlled by an officer and director of the Company. This transaction was 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.

Years ended December 31,	2021	2020
Management and consulting fees	\$679,016	\$678,963




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### Key management compensation

Years ended December 31,	2021	2020
Salaries and directors' fees	\$521,323	\$541,951
Share based payments	23,635	11,317
	<b>\$544,958</b>	<b>\$553,268</b>

Key management compensation includes payments made to individual officers and directors serving the Company in their respective roles.

### 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. Economic conditions Due to the uncertainty of the economic climate created by the COVID-19 pandemic, the Company revised some of its estimates, assumptions, and significant judgment areas used in preparing the consolidated financial statements for the year ended December 31, 2021. The main estimates revised related to the determination of indication of impairment on assets, cash generating units (CGUs) or groups of CGUs. Revised assumptions were used in establishing the recoverable amounts of assets where an impairment test was performed. The pandemic was also a factor in the assessment of the credit risk on trade receivables. The future is uncertain regarding the pandemic and its impact on the Company's results of operations and financial position. As such, additional revisions could have an impact on the final measurement of the carrying amount of the Company's assets in the future.
- ii. Leases  
Any contracts which contain the right to use an asset for a period of time in exchange for consideration can contain a lease. Contracts must meet three criteria as follows:
  - an identified asset explicitly within the contract or implicitly upon delivery,
  - the Company has the right to obtain all the economic benefits through the period of use as defined by the contract, and
  - the Company has the right to use the identified asset through the period of use and direct 'how and for what purpose' the asset is used through the period of use.
- iii. Deferred taxes  
Management estimates the probability of future taxable income in which deferred tax assets can be utilized based on the Company's forecasted budget. The Company also takes into consideration non-taxable income and expenses and the various tax rules in effect or expected to be in effect at a future date. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, then the asset is recognized. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed by management based on specific circumstances.

### ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts included in the financial statements included, but were not limited to, the following:

- i. **Property, plant and equipment and intangible assets**  
The Company estimates useful life, residual value and depreciation methods based on industry norms, historical experience, market conditions and future cash flows. In determining estimated residual value, adjustments may be required by the Company to reflect differences between the specific assets carried by the Company and the similar assets used to indicate the fair value less costs of disposal, creating a degree of uncertainty. It is possible that future results could be materially affected by changes in the above factors.
- ii. **Impairments**  
An asset or cash generating unit ("CGU") is impaired when its carrying value exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. Adjustments may be required by the Company to reflect differences between the value of specific assets carried by the Company and the similar assets used to indicate the fair value less costs of disposal, creating a degree of uncertainty. The value in use calculation is based on a discounted cash flow model, which incorporates the Company's budget and business plan. The recoverable amount is most sensitive to the discount rate used in the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. To arrive at cash flow projections the Company uses estimates of economic and market information over the projection period, including growth rates in revenues, estimates of future expected changes in operating margins, cash expenditures, the amount of property, plant and equipment required to achieve the cashflow projections, other future estimates of capital expenditures and changes in future working capital requirements.
- iii. **Impairment of financial assets**  
At the end of each reporting period, management monitors the expected credit loss against the net financial assets carried on the statement of financial position to assess credit risk and expected credit losses. Past events, current conditions and reasonable supportable forecasts are considered to identify and determine the extent of impairment, if any.
- iv. **Income tax**  
The Company follows the asset/liability method for calculating deferred taxes. Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws in each jurisdiction.
- v. **Share-based payments**  
The Company estimates the fair value of stock option awards and warrants using the Black-Scholes Option Pricing Model. Certain key assumptions used in the model include the expected interest rate, expected volatility, forfeitures, dividend yield and expected term.
- vi. **Business combinations**  
In a business combination, the Company may acquire assets and assume certain liabilities of an acquired entity. Estimates are made as to the fair value of property, plant and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property, plant and equipment, intangible assets and goodwill acquired, the Company may rely on independent third party valuers. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, discount rates, and earnings multiples.
- vii. **Leases**  
When the Company enters into lease contracts the lease rate and term may not be readily determinable. Rates with landlords are often not explicit in the contract. As such, the Company uses its incremental

borrowing rate to discount the cash flows related to the lease and determine the fair value. Optional terms to extend or terminate a lease may be contractually defined. Management estimates what the impact the option will have on the term of the lease and adjusts the carrying value of the lease accordingly.

## **RISKS AND UNCERTAINTIES**

The Company's activities expose it to a variety of financial risks that arise as a result of certain financial instruments held such as credit risk, liquidity risk and market risk. The following presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

### **Pandemics and health risks**

The Company is exposed to risks relating to public health emergencies and infectious diseases, including the COVID-19 pandemic, and related government responses, which has had a negative impact on global financial conditions and could have a material and adverse effect on the Company's business, financial condition and results of operations. The Company cannot accurately predict the impact COVID-19 will have on its ability to execute its business plans in response to government public health efforts to contain COVID-19 and to obtain financing or third parties' ability to meet their contractual obligations with the Company. To mitigate these risks, the Company has utilized certain Canadian Government assistance programs designed to assist businesses during COVID-19 including the Canadian Emergency Wage Subsidy program, the Canadian Emergency Rent Subsidy program and the Canadian Emergency Business Account program. In the event that the prevalence of COVID-19 continues to increase (or fears in respect of COVID-19 continue to increase), governments may increase regulations and restrictions regarding the flow of labour, products and travel bans which could impact the Company's ability to carry out its ongoing business plan.

### **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk through cash and cash equivalents and trade and other receivables. The Company manages the credit risk associated with its cash and cash equivalents by holding its funds in financial institutions with high credit ratings. Credit risk for trade and other receivables are managed through established credit monitoring activities.

The Company has trade receivables from customers in the oil and gas industry, as well as customers in the utilities/infrastructure construction industry. Credit risk is mitigated due to significant customers being large industry leaders, following a program of credit evaluation and limiting the amount of customer credit where deemed necessary. The Company monitors trade receivables against an expected credit loss model to assess reasonability of impairment over accounts receivable. Individual invoices within trade receivables are written off when there is no reasonable expectation of collecting payment. The Company has recorded a provision for doubtful accounts at December 31, 2021, of \$nil (December 31, 2020 - \$16,025).

At December 31, 2021, \$2,663,000 or 52% of trade receivables was from three customers compared to \$866,000 or 22% from two customers as at December 31, 2020. As at December 31, 2021, an accrual of \$440,390 (2020 - \$629,720) and \$128,676 (2020 - \$150,316) is included in total receivables for the Canadian Emergency Wage Subsidy program and for the Canadian Emergency Rent Subsidy program respectively. The subsidies are accrued when the Company is reasonably assured the grant conditions are met and recorded to offset the related salary and wage expenses.



	2021		2020	
Current (less than 90 days)	\$	5,120,288	\$	3,589,869
Past due (more than 90 days)		12,782		354,723
Total	\$	5,133,070	\$	3,944,592

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations. On an ongoing basis the Company manages liquidity risk by maintaining adequate cash and cash equivalents balances and appropriately utilizing available lines of credit. For the year ended December 31, 2021, the Company generated 41% of revenue from three customers (2020 - 28% from two customers). No other customers comprise more than 10% of revenues.

The outbreak of COVID-19 pandemic has negatively impacted economic conditions around the world. The decrease in oil demand, combined with other macro-economic factors, has resulted in significantly lower oil and liquids prices further driving economic uncertainty. Natural gas prices have also been volatile but in recent months the forward pricing curve has been strengthening. The Company's site infrastructure customers are substantially all natural gas and liquid producers.

During this period of uncertainty, the Company is committed to maintain its strong balance sheet and financial liquidity. The Company believes it has enough liquidity through cash flow and borrowing capacity on its credit facility to execute its business plan. The Company's priority is to continue to spend sufficient maintenance capital to keep its equipment fleet modern and meet specific customer demands.

The following are undiscounted contractual maturities of financial liabilities, excluding estimated interest and the impact of netting agreements at December 31, 2021:

Contractual Obligations December 31, 2021	Total	2022	2023	2024	2025	2026	After 5 years
Trade and other payables	\$1,632,764	\$1,632,764	\$-	\$-	\$-	\$-	\$-
Loans and borrowings	\$14,799,119	1,225,143	78,298	232,618	11,680,687	176,576	1,405,797
Total contractual obligations	\$16,431,883	\$2,857,907	\$78,298	\$232,618	\$11,680,687	\$176,576	\$1,405,797

For the year ended December 31, 2021, rent expense for short-term leases and leases of low-value assets was \$616,421 (2020 - \$434,554). At December 31, 2021, the Company was committed to short term leases and the total commitment at that date was \$414,355 (2020 - \$558,301).

The Company has no significant commitments to capital resources other than those disclosed in this MD&A.

### 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 December 31, 2021, to impact the Company's annual interest expense by approximately \$22,000 (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 December 31, 2021, and December 31, 2020, the Company has met these objectives.

	December 31, 2021	December 31, 2020
Bank loan facility	\$11,161,438	\$8,861,872
Current portion of loans and borrowings	1,255,143	1,322,637
Long term loans and borrowings	2,412,538	3,509,066
Net funded debt	14,799,119	13,693,575
Shareholders' equity	32,221,942	35,006,728
Total capital	\$47,021,061	\$48,700,303

Included in net funded debt is the bank loan facility which requires the Company to maintain certain financial covenants. The new bank loan facility (note 8(a)) is subject to financial covenants based on forecasted revenue, EBITDA, and tangible net worth. As at December 31, 2021, the Company is compliance with the required covenants.

### Financial Instruments and Business Risks

The classification of a financial asset or liability is determined at the time of initial recognition. The Company does not enter into derivative contracts.

#### i. Financial assets

A financial asset is recognized when the Company has the contractual right to collect future cash flows. The Company's financial assets include cash and cash equivalents and trade and other receivables. The contractual terms of these noted instruments result in cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are initially recognized at fair value adjusted for applicable transactions costs. Any income or expenses related to financial assets, including impairment of trade receivables, is recognized in other income (expenses) through profit and loss.

Financial assets are subsequently measured at amortized cost using the effective interest method. Financial assets are derecognized when the contractual right to hold and collect future cash flows expires or substantially all risks and rewards have been transferred. Discounting of the future cash flows will be included if the impact is material.

#### ii. Financial liabilities

A financial liability is recognized when the Company has the contractual obligation to pay future cash flows. The Company's financial liabilities include loans and borrowings and trade and other payables.

Financial liabilities are initially recognized at fair value adjusted for applicable transactions costs. Interest-related charges and changes in an instrument's fair value due to contract modifications are reported through profit or loss.

The financial liabilities are subsequently measured at amortized cost using the effective interest method. Financial liabilities are derecognized when the contracted consideration and risks have been transferred, or if the future obligation expires, is extinguished, or is cancelled.

In the event of a modification that does not result in derecognition, a modification adjustment is recognized through profit or loss. The adjustment is calculated as the change between the original contractual cash flows and the present value of the modified cash flows at the original contracted effective interest rate. Management will monitor debt instruments for significant events that affect future cash flows. Events that could lead to a modification may include amendments, large debt repayments, or large draws on a debt instrument.

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

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

Level 2 - Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3 - Fair value measurements derived from valuation techniques that include unobservable inputs.

### **Other Risks**

Other risks include:

- **Commodity pricing** – Fluctuation in the price of petroleum products is a business risk that impacts the Company directly. Oil and gas prices determine the economic feasibility of exploration and drilling activity in the oil and gas industry, to which the Company provides its services. High prices increase demand for the Company's services, while adverse or lower prices impact the Company's ability to generate revenues.
- **Production declines and new discoveries** – New discoveries of oil and gas reserves lead to an increase in the demand for the Company's services. On the other hand, declines in production result in decreased demands for the Company's services. Either situation directly impacts the operating results of the Company.
- **Access to capital** – The Company is dependent on access to equity or debt financing to fund capital expansion programs when operating cash flows are not sufficient to do so. To date, sufficient capital has been obtained to meet the Company's capital expansion and acquisition requirements. Any further capital expansion or acquisitions that cannot be funded through operating cash flows will require external financing, the availability of which is dependent on economic factors such as interest rates, investor and creditor confidence, and industry profitability.
- **Weather** – The Company operates heavy equipment, the movement of which requires reasonable weather and road conditions. In the spring season this is especially true, with spring breakup making many secondary roads impassable. Since heavy equipment cannot be moved under these conditions, the Company's operating results are subject to significant decreases during this time period. To mitigate this risk, the Company is diversifying its operations to other industries enabling the Company to perform services elsewhere during the spring. The Company also rents flameless heaters which are in greater demand during cold weather. The extent of cold weather and the duration of winter will have a significant impact on operating results. To mitigate this risk, the Company is diversifying the use of its blower capacity, contained within the flameless heaters, in warmer months.
- **Available workforce** – The ability to perform services is contingent upon sufficient and appropriately skilled staff being available. Obtaining personnel is crucial to the Company's ability to meet demand for its services.
- **Recession risk** – Although the current economic environment is recovering from the recent recession, the recovery is still fragile. Should economic environment slide into a double dip recession, demand for the Company's services would be reduced and have a negative impact on revenues and earnings. This would result in the Company continuing to implement cost control measures and possibly expand its services into other industries in order to manage through the recession. Management has already implemented cost cutting measures and is continuing to review other areas for possible cost savings.
- **Cyclical risk** – The Company has a significant portion of its revenues tied directly to the oil and gas industry in Western Canada. These revenues are subject to any cyclical risk of the industry. To mitigate this risk the Company continues to diversify its customer base and revenue streams.
- **Operating risk and liability insurance** – The Company believes the insurance coverage it has in place is appropriate for the nature of its services provided and its associated risks, however such coverage may not be adequate. To mitigate this risk, management reviews the Company's insurance coverage on a regular basis.
- **Competition** – The Company's ability to provide cost-effective, quality service to its customers is essential to help mitigate the Company's business risk of competition.
- **Cyber security** – The Company's operations may be disrupted or threatened by cyber attacks or viruses. The business requires the continued operation of information technology systems and network infrastructure.

Management believes it has implemented reasonable security measures to prevent disability or failure. However, if the Company's systems cannot be recovered in a timely manner, the Company may be unable to meet critical business functions, which could have a material adverse effect on the business, financial condition, and results of operations.

- Pandemics, natural disasters or other unanticipated events – The occurrence of pandemics, such as the recent outbreak of the novel coronavirus COVID-19; natural disasters, such as hurricanes, floods or earthquakes; or other unanticipated events, such as cyberattacks, fires, terrorist attacks or railway blockades, in any of the areas in which the Company, its customers or its suppliers operate could cause interruptions in the Company's operations. In addition, pandemics, natural disasters or other unanticipated events could negatively impact the demand for, and price of, oil and natural gas which in turn could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. In addition, and without limitation of the foregoing, the Company is also exposed to risks relating to public health emergencies and infectious diseases, including the COVID-19 pandemic, and related government responses, which has had a negative impact on global financial conditions and could have a material and adverse effect on the Company's business, financial condition and results of operations. The Company cannot accurately predict the impact COVID-19 will have on its ability to execute its business plans in response to government public health efforts to contain COVID-19 and to obtain financing or third parties' ability to meet their contractual obligations with the Company, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected jurisdictions; and future demand for commodities. In the event that the prevalence of COVID-19 continues to increase (or fears in respect of COVID-19 continue to increase), governments may increase regulations and restrictions regarding the flow of labour or products, and travel bans, and the Company's operations and service providers, and ability to carry out its ongoing business plan, could be adversely affected.

A change in any one of these factors could have a material impact on the financial performance of the Company. The above discussion of risks is not intended to be all-inclusive. The intention of this discussion is to highlight for the reader the typical risks for this industry. Readers should carefully consider, among other things, the risks described herein, and in the Company's Annual Information Form dated March 10, 2022.

## **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, 2021, and has concluded that such internal controls over financial reporting were effective. There are no material weaknesses that have been identified by management in this regard.

### **Management's Annual Report on Disclosure Controls**

As of December 31, 2021, the Company's management evaluated the effectiveness of its disclosure controls and procedures as defined in the rules of the Canadian Securities Administrators. This evaluation is performed under the supervision of, and with the participation of, the Chief Executive Officer and the Chief Financial Officer. The Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective as of December 31, 2021.

## **NON-IFRS MEASURES**

In addition to using financial measures prescribed by IFRS, certain non IFRS measures are used in this MD&A. Non-





IFRS measures should not be construed as an alternative to net income or cash flow from operating activity as an indicator of financial performance or to cash flow from operating activities as a measure of liquidity and cash flow. Non-IFRS performance measures do not have any standardized meaning prescribed by IFRS and therefore the Company's methods of calculating non-IFRS measures may not be comparable to similar measures presented by other companies. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. This measure has been described and presented in the same manner in which the chief operating decision maker makes operating decisions and assesses performance.

### Adjusted EBITDA and Adjusted Gross Margin

Adjusted EBITDA and Adjusted Gross Margin are useful supplemental measures as they provide an indication of the results generated by the Company's principal business activities prior to consideration of how those activities are financed, how the results are taxed, or how the results are impacted by temporary subsidies.

Adjusted Gross Margin is calculated as gross margin excluding subsidies.

	Three months December 31, 2021	Three months December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019
Gross Margin	\$2,120,460	\$1,787,065	\$6,631,818	\$5,194,826	\$5,044,970
Subsidies – CEWS and CERS	(28,586)	(333,798)	(1,649,087)	(1,416,679)	nil
Adjusted Gross Margin	\$2,091,874	\$1,453,267	\$4,982,731	\$3,778,147	\$5,044,970

Adjusted 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, share-based payments and subsidies.

### Reconciliation of net loss to Adjusted EBITDA:

	Three months December 31, 2021	Three months December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019
Net income (loss) from continuing operations	\$126,582	\$(1,548,773)	\$(2,375,818)	\$(4,444,719)	\$(5,035,705)
Add:					
Interest	347,541	209,659	1,201,988	998,497	890,138
Income taxes recovery	(42,591)	(512,955)	(42,591)	(282,463)	(81,136)
Depreciation and amortization	1,303,545	2,132,169	5,856,215	6,118,298	5,846,702
(Gain) loss on disposal of property, plant and equipment	(155,904)	378,150	203,007	558,927	859,730
Impairment of property, plant and equipment	nil	743,843	nil	743,843	nil
Share-based payments	nil	nil	25,085	11,613	399,954
Subsidies – CEWS and CERS	(31,624)	(391,932)	(1,908,866)	(1,618,849)	nil
Adjusted EBITDA	\$1,547,549	\$1,010,161	\$2,962,020	\$2,085,177	\$2,879,683



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### **ADDITIONAL INFORMATION**

Additional information, including the Company's Annual Information Form, can be found on SEDAR at [www.sedar.com](http://www.sedar.com) or the Company web site at [www.enterprisegrp.ca](http://www.enterprisegrp.ca).

### **MANAGEMENT TEAM / BOARD OF DIRECTORS**

Leonard D. Jaroszuk, President, Chief Executive Officer and Director

Desmond O'Kell, Senior Vice President, Director and Corporate Secretary

Warren Cabral, CPA, CA, Chief Financial Officer

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

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

Neil Darling, Director

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