



Consolidated Financial Statements  
**For the years ended December 31, 2022 and 2021**

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**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

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To the Shareholders of Enterprise Group, Inc.

The management of Enterprise Group, Inc. prepared these consolidated financial statements and is responsible for their reliability, completeness and integrity. They conform in all material aspects to International Financial Reporting Standards.

Management maintains the necessary accounting and internal control systems to ensure: the timely production of reliable and accurate accounting information, the protection of assets (to a reasonable extent) against loss or unauthorized use, and the promotion of operational efficiency. The Board of Directors oversees management's responsibilities for the financial reporting and internal control systems.

The auditors, who are recommended to the Shareholders by the Audit Committee and appointed by the Shareholders, conducted an audit of these consolidated financial statements in accordance with Canadian auditing standards. The Audit Committee reviewed these financial statements with the auditors in detail before recommending their approval.

St. Albert, Alberta  
March 15, 2023

(Signed) "Leonard D. Jaroszuk"  
Leonard Jaroszuk, President, Chief Executive Officer

# Independent Auditor's Report

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To the Shareholders of  
Enterprise Group, Inc.

## Opinion

We have audited the consolidated financial statements of Enterprise Group, Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and December 31, 2021 and the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters, that in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our independent auditor's report.

## Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ingrid Holbik.



Toronto, Canada  
March 15, 2023

Chartered Professional Accountants  
Licensed Public Accountants

ENTERPRISE GROUP, INC.

Consolidated Statements of Financial Position

As at December 31	2022	2021
<b>Assets</b>		
Cash and cash equivalents (note 3)	\$ 1,061,698	\$ 876,543
Trade and other receivables (note 3)	7,456,605	5,133,070
Unbilled revenue	592,954	581,792
Inventories (note 4)	327,160	296,229
Deposits and prepaid expenses	549,873	265,694
	<b>9,988,290</b>	<b>7,153,328</b>
<b>Property, plant and equipment (note 5)</b>	<b>41,823,259</b>	<b>40,947,466</b>
<b>Goodwill (note 6)</b>	<b>351,910</b>	<b>351,910</b>
<b>Intangible assets (note 6)</b>	<b>146,430</b>	<b>201,121</b>
<b>Deferred tax assets (note 7)</b>	<b>3,061,778</b>	<b>2,493,132</b>
	<b>45,383,377</b>	<b>43,993,629</b>
<b>Total assets</b>	<b>\$ 55,371,667</b>	<b>\$ 51,146,957</b>
<b>Liabilities</b>		
Trade and other payables (note 3)	\$ 2,014,509	\$ 1,632,764
Current portion of loans and borrowings (note 8)	605,198	1,225,143
	<b>2,619,707</b>	<b>2,857,907</b>
<b>Long term portion of loans and borrowings (note 8)</b>		
Bank loan facility	12,712,083	11,161,438
Leases	532,270	353,776
Mortgages	1,659,796	2,058,762
<b>Deferred tax liabilities (note 7)</b>	<b>3,061,778</b>	<b>2,493,132</b>
<b>Total liabilities</b>	<b>20,585,634</b>	<b>18,925,015</b>
<b>Equity</b>		
Share capital (note 9)	67,002,456	68,172,183
Contributed surplus	18,636,671	17,178,348
Deficit	(50,853,094)	(53,128,589)
<b>Total equity</b>	<b>34,786,033</b>	<b>32,221,942</b>
<b>Total equity and liabilities</b>	<b>\$ 55,371,667</b>	<b>\$ 51,146,957</b>

Approved on behalf of the Board:

\_\_\_\_\_(Signed) "Leonard D. Jaroszuk" Leonard D. Jaroszuk Director

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

## Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

Years ended December 31,	2022	2021
<b>Revenue</b>	<b>\$ 26,892,249</b>	<b>\$ 18,732,335</b>
Direct expenses	<b>(16,012,321)</b>	<b>(12,100,517)</b>
<b>Gross margin</b>	<b>10,879,928</b>	<b>6,631,818</b>
General and administrative expenses	<b>(2,732,705)</b>	<b>(1,763,932)</b>
Depreciation of property, plant and equipment (note 5)	<b>(3,914,208)</b>	<b>(5,119,474)</b>
Depreciation of right-of-use assets (note 5)	<b>(551,872)</b>	<b>(676,222)</b>
Share-based payments (note 10)	<b>(102,140)</b>	<b>(25,085)</b>
Amortization of intangible assets	<b>(54,691)</b>	<b>(60,519)</b>
Gain (loss) on sale of property, plant and equipment (note 5)	<b>228,251</b>	<b>(203,007)</b>
<b>Income (loss) before financing and taxes</b>	<b>3,752,563</b>	<b>(1,216,421)</b>
Finance expense	<b>(1,478,268)</b>	<b>(1,201,988)</b>
<b>Income (loss) before income tax</b>	<b>2,274,295</b>	<b>(2,418,409)</b>
Income tax recovery (note 7)	<b>1,200</b>	<b>42,591</b>
<b>Net income (loss) and comprehensive income (loss)</b>	<b>\$ 2,275,495</b>	<b>\$ (2,375,818)</b>
<b>Income (loss) per share (note 11)</b>		
Basic and diluted earnings (loss) per share	<b>\$ 0.05</b>	<b>\$ (0.05)</b>

**ENTERPRISE GROUP, INC.**  
**Consolidated Statements of Cash Flows**

<b>Years ended December 31,</b>	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
<b>Net income (loss)</b>	<b>\$ 2,275,495</b>	<b>\$ (2,375,818)</b>
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	<b>3,914,208</b>	5,119,474
Depreciation of right-of-use assets	<b>551,872</b>	676,222
Amortization of intangible assets	<b>54,691</b>	60,519
(Gain) loss on sale of property, plant and equipment	<b>(197,782)</b>	149,396
Share based payments	<b>102,140</b>	25,085
Finance expense	<b>1,478,268</b>	1,201,988
Change in non-cash working capital (note 13)	<b>(2,268,062)</b>	(1,355,997)
<b>Net cash provided by operating activities</b>	<b>\$ 5,910,830</b>	<b>\$ 3,500,869</b>
<b>Cash flows from financing activities:</b>		
Net proceeds of bank loan facility	<b>1,482,986</b>	2,570,478
Interest and borrowing costs paid on loans and borrowings	<b>(1,386,533)</b>	(1,418,432)
Repayment of lease liabilities	<b>(892,857)</b>	(840,892)
Repayment of mortgage facilities	<b>(446,455)</b>	(236,748)
Repayment of vendor take-back loan	<b>(316,985)</b>	(307,304)
Repayment of term loans	<b>-</b>	(270,457)
Share buyback and cancellation (note 9)	<b>(714,614)</b>	(507,552)
Stock options exercised	<b>901,070</b>	73,499
<b>Net cash used in financing activities</b>	<b>\$ (1,373,388)</b>	<b>\$ (937,408)</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	<b>(5,569,011)</b>	(3,845,497)
Proceeds on sale of property, plant and equipment	<b>1,216,724</b>	1,374,962
<b>Net cash used in investing activities</b>	<b>\$ (4,352,287)</b>	<b>\$ (2,470,535)</b>
<b>Change in cash and cash equivalents</b>	<b>\$ 185,155</b>	<b>\$ 92,926</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>\$ 876,543</b>	<b>\$ 783,617</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,061,698</b>	<b>\$ 876,543</b>



ENTERPRISE GROUP, INC.

Consolidated Statements of Changes in Equity

	Number of common shares	Share capital	Contributed surplus	Deficit	Total
Balance as at December 31, 2020	49,428,374	\$70,990,991	\$14,768,508	\$(50,752,771)	\$35,006,728
Common shares repurchased and cancelled (note 9)	(2,034,500)	(2,903,920)	2,396,368	-	(507,552)
Share options exercised	490,000	85,112	(11,613)	-	73,499
Share-based payments	-	-	25,085	-	25,085
Net loss	-	-	-	(2,375,818)	(2,375,818)
<b>Balance as at December 31, 2021</b>	<b>47,883,874</b>	<b>\$68,172,183</b>	<b>\$17,178,348</b>	<b>\$(53,128,589)</b>	<b>\$32,221,942</b>
Common shares repurchased and cancelled (note 9)	(1,799,000)	(2,445,077)	1,730,463	-	(714,614)
Share options exercised	4,881,000	1,275,350	(374,280)	-	901,070
Share-based payments	-	-	102,140	-	102,140
Net income	-	-	-	2,275,495	2,275,495
<b>Balance as at December 31, 2022</b>	<b>50,965,874</b>	<b>\$67,002,456</b>	<b>\$18,636,671</b>	<b>\$(50,853,094)</b>	<b>\$34,786,033</b>

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## 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 consolidated financial statements of the Company as at December 31, 2022, and 2021, are comprised of the Company and its wholly owned subsidiaries. These consolidated financial statements were authorized for issue by the Board of Directors on March 15, 2023.

## 2. Significant accounting policies

### Statement of compliance

The Company prepares its financial statements in accordance with *International Financial Reporting Standards (IFRS)* as issued by the *International Accounting Standards Board (IASB)*.

### Basis of presentation

The financial statements have been prepared on the historical cost basis.

### Basis of consolidation

Included in these consolidated financial statements are the financial statements of Enterprise Group, Inc. and its wholly-owned subsidiaries: E One Limited, Artic Therm International Ltd., Evolution Power Projects (formerly 1940682 AB Ltd.), Hart Oilfield Rentals Ltd., Westar Oilfield Rentals, Inc. (including 1943749 AB Ltd., amalgamated with Westar Oilfield Rentals Inc. on July 31, 2022 and Johnston Power Sourcing, Inc., amalgamated with Westar Oilfield Rentals, Inc. on January 1, 2021). The financial statements of subsidiaries are consolidated from the date that control commences until the date that control ceases. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All subsidiaries have the same reporting periods as the Company. All significant inter-entity balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in full.

### Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains or losses from the settlement of such transactions at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income (loss) and comprehensive (loss).

### Critical accounting judgments in applying accounting policies

The following are significant management judgments, 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 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.

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- ii. **Leases**  
Any contracts which contain the right to use an asset for a period in 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.

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- 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. **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.
- vii. **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.

### Financial instruments

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.

**Impairment**

***Financial assets***

The Company holds financial assets to hold and collect the associated cash flows. The Company uses the simplified approach for trade and other receivables and records the loss allowance as lifetime expected credit losses. Historical bad debt experience, current conditions, and supportable forecasts are used to assess credit risk and measure expected credit losses over the life of the instrument. At each reporting period, the current credit loss recorded on the financial statements is assessed against the expected credit loss model to determine the impairment adjustment required. The Company assesses impairment of trade receivables on a collective basis as these possess shared credit risk characteristics and have been grouped based on days past due.

***Non-financial assets***

Assets that have an indefinite useful life, for example, goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's 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, conducted at arm's length, for 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. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

For the purposes of assessing impairment, assets are grouped into CGUs. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. CGUs are the smallest identifiable group of assets that generate cash flows that are independent of the cash flows of other groups of assets. The determination of CGUs was based on management's judgments in regard to the geographic location of operating divisions, product groups and shared infrastructure.

**Cash and cash equivalents**

Cash and cash equivalents include balances with Canadian Chartered Banks and short-term investments with original maturities of three months or less.

**Inventories**

Inventories of parts and supplies are measured at the lower of cost and net realizable value. The cost of inventories is measured on a first-in first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

**Property, plant and equipment**

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost consists of the purchase price, plus costs directly attributable to putting the asset in use and where applicable, an estimate of the costs of removing the item and site restoration.

Depreciation is calculated over the depreciable amount, which is the cost of asset less its residual value. Depreciation is not calculated for assets under construction until work is completed and the assets are available for use. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	- 25 years
Small equipment	- 2 - 5 years
Light automotive equipment	- 5 years
Computers and communication equipment	- 3 years
Heavy automotive, construction, and portable rental equipment	- 7 - 10 years
Leasehold improvements	- Straight-line over term of lease
Right-of-use assets	- Straight-line over term of lease

The useful lives, depreciation methods and residual values are reviewed at each reporting date for consistency with the expected pattern of economic benefits from the assets.

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**Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the consideration transferred, measured at the acquisition date in addition to the fair value of any non-controlling interest in the acquired entity. All acquisition costs are expensed as incurred. Any contingent consideration expected to be paid will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured; other contingent consideration is remeasured at fair value with changes in fair value recognized in profit or loss. When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Company's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized as a gain for the period. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is assigned to the Company's CGUs that are expected to benefit from the combination, irrespective of whether the assets and liabilities of the acquired are assigned to that (those) CGU(s). If a business unit is disposed of, goodwill disposed of is measured based on the relative values of the operation disposed of and the portion of the CGU retained. Goodwill is tested for impairment annually or more frequently when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of each CGU to which the goodwill relates. Where the recoverable amount of the CGU (including the carrying value of the allocated goodwill) is less than the carrying value, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

**Intangible assets**

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

**Leases**

The Company leases various properties, vehicles, and equipment. Lease contracts are typically between one and five years with some contracts having renewal options, options to extend, or options to purchase. The Company typically does not enter into sale and leaseback arrangements. All the leases are negotiated on an individual basis and contain a wide variety of different terms and conditions. The Company assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

At lease commencement date, the Company recognises a right-of-use asset and a lease liability in its consolidated statement of financial position.

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of its useful life or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

The lease liability is measured at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease contract. If the implicit rate is unavailable, the lease payments are discounted at the Company's incremental borrowing rate. The incremental borrowing rate is the estimated rate that the Company would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The lease liability is reassessed when there is a change in the lease payments. Revised lease payments are discounted using the Company's incremental borrowing rate at the date of reassessment. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognised in profit or loss.

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**Share-based payments**

The fair value of stock options and warrants are measured at the grant date using the Black-Scholes Option Pricing Model, and recognized over the vesting period. The fair value is included in the statement of loss and comprehensive loss, with a corresponding increase in contributed surplus. A forfeiture rate is estimated and is adjusted to reflect the actual number of options and warrants that vest. Consideration received on the exercise of stock options and warrants is credited to share capital and previously recorded compensation expense is transferred from contributed surplus to share capital to fully reflect the value of shares issued.

**Revenue recognition**

Revenue is measured based on the consideration received from a contract with a customer. Revenue from rental contracts is recognized over time when the performance obligations in the contract have been transferred to the customer and collectibility is reasonably assured. Revenue from rental contracts is measured at fair value net of trade discounts. The unbilled portion for work completed at the end of a reporting period are recorded as unbilled revenues using the pre-determined price or rate for that service. Payment terms on billings are generally on a net 45 days basis without financing, variable consideration, or penalties.

**Finance income and expense**

Finance income is earned at the effective interest rate. Finance expense includes interest, loan transaction costs, and adjustments on loan modifications.

**Income tax**

Income tax expense is comprised of current and deferred taxes. Current and deferred tax is recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income taxes for the current period, including any adjustments to the tax payable in respect of previous years, are recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the tax rates that are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using the tax rates that are expected to apply in the period in which the deferred tax asset or liability is expected to settle, based on the laws that have been enacted or substantively enacted by the reporting date. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced accordingly to the extent that it is no longer probable that they can be utilized.

**Earnings (loss) per share**

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

**Government assistance**

Government assistance is recognized when there is reasonable assurance that the Company will comply with the requirements of the approved grant or subsidy program and the Company is reasonably certain that the government assistance will be received. Government assistance related to expenses, including salary grants, is recorded as a reduction of the corresponding direct expenses and general and administrative expenses.

**Accounting standards issued but not yet applied**

New standards, amendments, and interpretations issued but not adopted in the current year have not been disclosed as they are not expected to have a material impact on the consolidated financial statements.

**3. Financial instruments and risk management**

**(a) Pandemics and health risks**

The Company is exposed to risks relating to public health emergencies and infectious diseases, and related government responses, which may have 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. In the event of a public health emergency, governments may increase regulations and restrictions regarding the flow of labour, products, and travel which could impact the Company's ability to carry out its ongoing business plan. The Company cannot accurately predict the impact pandemic events will have on its ability to obtain financing or the ability of third parties' to meet their contractual obligations with the Company. Pandemic and health risks are managed through ongoing monitoring of government regulations and mandates and applying for government assistance where appropriate.

**(b) Fair value of financial instruments**

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 as at December 31, 2022, and as at December 31, 2021.

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

	2022	2021
<b><u>Financial assets</u></b>		
Cash and cash equivalents	\$ 1,061,698	\$ 876,543
Trade and other receivables	\$ 7,456,605	\$ 5,133,070
Deposits	\$ 315,059	\$ 125,399
<b><u>Financial liabilities</u></b>		
Trade and other payables	\$ 2,014,509	\$ 1,632,764
Loans and borrowings	\$ 15,509,347	\$ 14,799,119

**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.

**(c) 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, 2022, of \$nil (December 31, 2021 - \$nil).

At December 31, 2022, \$3,147,000 or 42% of trade receivables was from three customers compared to \$2,663,000 or 52% from three customers as at December 31, 2021.

As at December 31, 2022, an accrual of \$nil (2021 - \$440,390) and \$nil (2021 - \$128,676) 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. The CEWS and CERS programs ended in October 2021.



	2022	2021
Current (less than 90 days)	\$ 7,412,207	\$ 5,120,288
Past due (more than 90 days)	44,398	12,782
Total	\$ 7,456,605	\$ 5,133,070

**(d) 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, 2022, the Company generated 34% of revenue from two customers (2021 - 41% from three customers). No other customers comprise more than 10% of revenues.

The outbreak of the COVID-19 pandemic negatively impacted economic conditions around the world. The decrease in oil demand, combined with other macro-economic factors, resulted in significantly lower oil and liquids prices further driving economic uncertainty. Natural gas prices have also been volatile but towards the end of 2021, the forward pricing curve strengthened and during the fourth quarter of 2021, and throughout 2022, activity levels increased. The Company's site infrastructure customers are substantially natural gas and gas liquids producers.

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, including estimated interest at December 31, 2022, and December 31, 2021:

December 31, 2022	Carrying amount	Contractual cash flows	Due within one year	Two-five years	More than five years
Trade and other payables	\$ 2,014,509	\$ 2,014,509	\$ 2,014,509	\$ -	\$ -
Loans and borrowings	15,509,347	19,638,276	2,087,038	15,460,669	2,090,569
	<b>\$ 17,523,856</b>	<b>\$ 21,652,785</b>	<b>\$ 4,101,547</b>	<b>\$ 15,460,669</b>	<b>\$ 2,090,569</b>
December 31, 2021	Carrying amount	Contractual cash flows	Due within one year	Two-five years	More than five years
Trade and other payables	\$ 1,632,764	\$ 1,632,764	\$ 1,632,764	\$ -	\$ -
Loans and borrowings	14,799,119	19,070,604	2,494,585	14,742,382	1,833,637
	<b>\$ 16,431,883</b>	<b>\$ 20,703,368</b>	<b>\$ 4,127,349</b>	<b>\$ 14,742,382</b>	<b>\$ 1,833,637</b>

**(e) Market risk**

Market risk is the risk of changes in market prices, such as interest rates, which will affect the Company's income or the value of its financial instruments. Management has assessed the effect of a 1% interest rate increase or decrease in the prime lending rate at December 31, 2022, to impact the Company's annual interest expense by approximately \$18,000 (December 31, 2021 - \$22,000). The majority of the Company's debt is at fixed interest rates and changes in market prices do not have a significant impact. 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, 2022, the Company has met these objectives.

ENTERPRISE GROUP, INC.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

	2022	2021
Bank loan facility	\$ 12,712,083	\$ 11,161,438
Current portion of loans and borrowings	605,198	1,225,143
Long term loans and borrowings	2,192,066	2,412,538
Net funded debt	15,509,347	14,799,119
Shareholders' equity	34,786,033	32,221,942
Total capital	\$ 50,295,380	\$ 47,021,061

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

The bank loan facility is subject to financial covenants based on forecasted revenue, EBITDA, and tangible net worth. As at December 31, 2022, the Company is compliance with the required covenants.

4. Inventories

Years ended December 31,	2022	2021
Inventory, parts and supplies	\$ 327,160	\$ 296,229

Inventory, parts and supplies expensed in direct expenses during the year ended December 31, 2022, were \$561,284 (2021 - \$488,525).

5. Property, plant and equipment

Cost	Balance at		Disposals	Reclass	Balance at	
	December 31, 2021	Additions			December 31, 2022	
Land	\$ 4,679,210	\$ -	\$ (559,210)	-	-	\$ 4,120,000
Buildings	1,507,493	-	-	9,419	-	1,516,912
Leasehold improvements	251,057	49,687	-	(9,419)	-	291,325
Computers and communication equipment	254,394	15,803	-	-	-	270,197
Small equipment	1,042,700	163,268	(15,100)	168,680	-	1,359,548
Light automotive equipment	779,211	9,497	(84,713)	-	-	703,995
Heavy automotive, construction and portable rental equipment	64,297,550	3,619,480	(953,100)	321,870	-	67,285,800
Right-of-use assets	2,726,717	791,804	-	-	-	3,518,521
Property, plant and equipment under construction	598,800	1,711,276	(28,092)	(490,550)	-	1,791,434
	\$ 76,137,132	\$ 6,360,815	\$ (1,640,215)	\$ -	-	\$ 80,857,732

	Accumulated depreciation			Carrying amounts		
	Balance at December 31, 2021	Depreciation for the year	Disposals	Balance at December 31, 2022	Balance at December 31, 2021	Balance at December 31, 2022
Land	\$ -	-	-	-	4,679,210	\$ 4,120,000
Buildings	93,350	22,206	-	115,556	1,414,143	1,401,356
Leasehold improvements	218,050	24,415	-	242,465	33,007	48,860
Computers and communication equipment	217,779	21,511	-	239,290	36,615	30,907
Small equipment	580,980	135,782	(6,292)	710,470	461,720	649,078
Light automotive equipment	580,910	24,640	(65,272)	540,278	198,301	163,717
Heavy automotive, construction and portable rental equipment	32,095,239	3,685,654	(549,709)	35,231,184	32,202,311	32,054,616
Right-of-use assets	1,403,358	551,872	-	1,955,230	1,323,359	1,563,291
Property, plant and equipment under construction	-	-	-	-	598,800	1,791,434
	\$ 35,189,666	\$ 4,466,080	\$ (621,273)	\$ 39,034,473	\$ 40,947,466	\$ 41,823,259

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

Cost	Balance at				Balance at
	December 31, 2020	Additions	Disposals	Reclass	
Land	\$ 4,679,210	\$ -	\$ -	\$ -	\$ 4,679,210
Buildings	1,507,493	-	-	-	1,507,493
Leasehold improvements	238,926	1,763	-	10,368	251,057
Computers and communication equipment	382,136	24,800	(166,233)	13,691	254,394
Small equipment	672,820	340,624	(1,373)	30,629	1,042,700
Light automotive equipment	1,010,529	-	(231,318)	-	779,211
Heavy automotive, construction and portable rental equipment	64,267,718	2,816,013	(3,324,979)	538,798	64,297,550
Right-of-use assets	2,408,248	407,611	(89,142)	-	2,726,717
Property, plant and equipment under construction	541,195	664,797	(13,706)	(593,486)	598,800
	\$ 75,708,275	\$ 4,255,608	\$ (3,826,751)	\$ -	\$ 76,137,132

Cost	Accumulated depreciation				Carrying amount		
	Balance at December 31, 2020	Depreciation for the year	Disposals	Reclass	Balance at December 31, 2021	Balance at December 31, 2020	Balance at December 31, 2021
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,679,210	\$ 4,679,210
Buildings	71,724	21,626	-	-	93,350	1,435,769	1,414,143
Leasehold improvements	210,319	7,731	-	-	218,050	28,607	33,007
Computers and communication equipment	371,744	12,268	(166,233)	-	217,779	10,392	36,615
Small equipment	445,292	140,070	(1,236)	(3,146)	580,980	227,528	461,720
Light automotive equipment	693,375	34,834	(147,299)	-	580,910	317,154	198,301
Heavy automotive, construction and portable rental equipment	29,125,604	4,902,945	(1,936,456)	3,146	32,095,239	35,142,114	32,202,311
Right-of-use assets	775,105	676,222	(47,969)	-	1,403,358	1,633,143	1,323,359
Property, plant and equipment under construction	-	-	-	-	-	541,195	598,800
	\$ 31,693,163	\$ 5,795,696	\$ (2,299,193)	\$ -	\$ 35,189,666	\$ 44,015,112	\$ 40,947,466

Included in the carrying amount of \$41,823,259 is \$1,791,434 (2021 - \$598,800) of heavy automotive, construction and portable rental equipment under construction, which is not being depreciated as they are not yet available for use.

The carrying amounts of right-of-use assets were as follows:

Right-of-use assets	December 31, 2022	December 31, 2021
Buildings and premises	\$ 189,814	\$ 507,534
Small equipment	18,781	13,911
Light automotive equipment	1,354,696	801,914
	\$ 1,563,291	\$ 1,323,359

Rent expense for short-term leases and leases of low-value assets expensed for the year ended December 31, 2022, was \$651,861 (2021 - \$616,421). At December 31, 2022, the Company was committed to short term leases and the total commitment at that date was \$122,785 (2021 - \$414,355).

For the year ended December 31, 2022, the Company sold property, plant and equipment with a net book value of \$1,018,942 and received proceeds of \$1,216,724 (2021 - net book value of \$1,527,558 and proceeds of \$1,374,962). The gain on sale of property, plant and equipment of \$228,251 included sales related costs of \$1,165 (2021 - loss on sale of \$203,007 including sales related costs of \$53,611).

**6. Goodwill and intangible assets**

	Cost		Accumulated amortization			Carrying amounts		
	Balance at December 31, 2021	Additions	Balance at December 31, 2022	Balance at December 31, 2021	Amortization for the year	Balance at December 31, 2022	Balance at December 31, 2021	Balance at December 31, 2022
<b>Software</b>	\$ 259,753	\$ -	<b>\$ 259,753</b>	\$ 255,025	\$ 4,548	<b>\$ 259,573</b>	\$ 4,728	<b>\$ 180</b>
<b>Customer relationships</b>	260,000	-	<b>260,000</b>	63,607	50,143	<b>113,750</b>	196,393	<b>146,250</b>
	<b>\$ 519,753</b>	<b>\$ -</b>	<b>\$ 519,753</b>	<b>\$ 318,632</b>	<b>\$ 54,691</b>	<b>\$ 373,323</b>	<b>\$ 201,121</b>	<b>\$ 146,430</b>

	Cost		Accumulated amortization			Carrying amounts		
	Balance at December 31, 2020	Additions	Balance at December 31, 2021	Balance at December 31, 2020	Amortization for the year	Balance at December 31, 2021	Balance at December 31, 2020	Balance at December 31, 2021
Software	\$ 259,753	\$ -	\$ 259,753	\$ 245,113	\$ 9,912	\$ 255,025	\$ 14,640	\$ 4,728
Customer relationships	260,000	-	260,000	13,000	50,607	63,607	247,000	196,393
	<b>\$ 519,753</b>	<b>\$ -</b>	<b>\$ 519,753</b>	<b>\$ 258,113</b>	<b>\$ 60,519</b>	<b>\$ 318,632</b>	<b>\$ 261,640</b>	<b>\$ 201,121</b>

At December 31, 2022, the Company performed its annual goodwill impairment test in accordance with its policy as described in the accounting policies note. Based on the results of the test, there were no changes to the assumptions and estimates for the CGU since the date of acquisition. There were no indicators of impairment with respect to intangible assets as at December 31, 2022. As a result, \$nil impairment was recorded

**7. Income tax**

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

(a) Components of income tax expense are:

Years ended December 31,	2022	2021
Current tax recovery	\$ (1,200)	\$ -
Book to file adjustments	-	(42,591)
Current tax recovery	(1,200)	(42,591)
Deferred tax		
Origination and reversal of temporary differences	634,728	(567,984)
Change in tax rates and rate differences	(384,436)	23,757
Change in unrecognized temporary differences	(250,292)	544,227
Deferred tax recovery	-	-
Income tax recovery	\$ (1,200)	\$ (42,591)

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

Years ended December 31,	2022	2021
Income before tax	\$ 2,274,294	\$ 2,418,409
Statutory income tax rate	23.00 %	24.00 %
Expected income tax expense (recovery)	523,088	(580,462)
Non-deductible items	31,574	12,476
Change in unrecognized temporary differences	(250,292)	544,227
Change in tax rates and rate differences	(304,370)	23,757
Other	-	2
Changes in estimates related to prior years	(1,200)	(42,591)
Income tax recovery	\$ (1,200)	\$ (42,591)

(b) Recognized deferred tax assets and liabilities

	2022	2021
Deferred tax assets are attributable to the following:		
Intangibles	\$ 113,074	\$ 708,839
Finance fees	15,706	21,454
Finance lease obligation	247,866	281,524
Vendor loans	-	561
Non-capital losses	6,067,094	5,848,216
Deferred tax assets	6,443,740	6,860,594
Offset by deferred tax liabilities below	(3,381,962)	(4,367,462)
Net deferred tax assets	\$ 3,061,778	\$ 2,493,132
Deferred tax liabilities are attributable to the following:		
Property, plant and equipment	\$ (6,335,483)	\$ (6,693,344)
Intangible assets	(39,488)	(53,907)
Unbilled revenue	(68,769)	(113,343)
Deferred tax liabilities	(6,443,740)	(6,860,594)
Offset by deferred tax assets above	3,381,962	4,367,462
Net deferred tax liabilities	\$ (3,061,778)	\$ (2,493,132)
Net deferred tax asset (liability)	\$ -	\$ -

(c) Unrecognized deferred tax assets and liabilities

The non-capital loss carryforwards expire between 2028 and 2041. Deferred tax assets have not been recognized in respect of the following items because it is not probable that future taxable profit will be available against which the Company and its subsidiaries can utilize the benefits.

	2022	2021
Deductible temporary differences	\$ 1,197,553	\$ 1,197,553
Tax losses	10,393,100	10,944,739
Total items for which no deferred tax asset has been recognized	\$ 11,590,653	\$ 12,142,292

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(d) Movement in temporary difference during the years ended December 31, 2022, and 2021:

For the year ended	December 31, 2021	Recognized in Profit and Loss	December 31, 2022
Non capital losses	\$ 5,848,216	\$ (5,848,216)	\$ -
Intangible assets	708,839	(595,765)	113,074
Finance lease obligation	281,524	(33,658)	247,866
Property, plant and equipment	(6,693,344)	12,760,438	6,067,094
Finance fees	21,454	(5,748)	15,706
Unbilled revenue, net of receivable holdbacks	(113,343)	113,343	-
Holdbacks	-	(39,488)	(39,488)
Intangibles	(53,907)	(6,281,576)	(6,335,483)
Vendor take-back loans	561	(69,330)	(68,769)
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

For the year ended	December 31, 2020	Recognized in Profit and Loss	December 31, 2021
Non capital losses	\$ 6,400,391	\$ (552,175)	\$ 5,848,216
Loan fair value adjustment	7,595	(7,595)	-
Intangibles assets	756,891	(48,052)	708,839
Finance lease obligation	392,677	(111,153)	281,524
Property, plant and equipment	(7,440,223)	746,879	(6,693,344)
Finance fees	25,098	(3,644)	21,454
Unbilled revenue, net of receivable holdbacks	(29,932)	(83,411)	(113,343)
Holdbacks	(32,172)	32,172	-
Intangibles	(69,686)	15,779	(53,907)
Vendor-take-back loans	(10,639)	11,200	561
Other	-	-	-
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**8. 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.

	December 31, 2022	December 31, 2021
Current portion of loans and borrowings		
Current portion of vendor take-back loans	\$ -	\$ 302,079
Current portion of lease liabilities	491,198	770,745
Current portion of mortgage facilities	114,000	152,319
<b>Total current portion of loans and borrowings</b>	<b>605,198</b>	<b>1,225,143</b>
Non-current portion of loans and borrowings		
Bank loan facility	12,712,083	11,161,438
Lease liabilities	532,270	353,776
Mortgage facilities	1,659,796	2,058,762
<b>Total non-current portion loans and borrowings</b>	<b>14,904,149</b>	<b>13,573,976</b>
<b>Total loans and borrowings</b>	<b>\$ 15,509,347</b>	<b>\$ 14,799,119</b>

(a) **Bank loan facility**

Effective September 7, 2021, the Company changed lenders and replaced its bank loan facility with a \$30,000,000 revolving line of credit. The facility is secured by a first charge on all the Company's assets except those secured with other lenders, bears interest at the 10.00%, requires no principal repayments until the September 7, 2024, due date, and is subject to certain borrowing restrictions to financial covenants based on forecasted revenue, forecasted EBITDA and forecasted tangible net worth. The facility has an option to extend of an additional twelve months if both parties mutually agree on the terms. This new facility will allow the Company more flexibility to meet increasing activity levels and changing demands of customers.

**(b) Vendor take-back loans**

In 2020, the Company issued vendor take-back loans with a fair value of \$553,208 (face value of \$600,000) with the final payment on the balance due in 2022. The loans had interest at an effective rate of 5.45%, (stated rate of prime of 2.45%) and were payable over two years. The first installment of \$300,000 plus accrued interest was paid on October 1, 2021. The second and final installment of \$300,000, plus accrued interest was paid on October 1, 2022.

**(c) Lease liabilities**

The Company has outstanding lease liabilities of \$1,023,468 as at December 31, 2022 (2021 - \$1,124,521). The leases bear interest from 3.60% - 9.40%, have aggregate monthly payments of \$75,563 (2021 - \$72,816) and mature at various times over the next 1 - 5 years. The leases are secured by specific equipment with a net book value of \$1,498,129 (2021 - \$1,302,734) of which \$390,363 (2021 - \$508,120) pertains to premise leases, \$1,008,693 (2021 - \$700,411) pertains to light automotive equipment, \$80,292 (2021 - \$80,292) pertains to heavy automotive, construction and portable rental equipment, and \$18,781 pertains to small equipment (2021 - \$13,911).

	Totals	Due within one year	Two-five years	More than five years
Present value of minimum lease payments	\$1,023,468	\$ 551,593	\$ 471,875	\$ -
Interest	150,748	47,948	102,800	-
Future minimum lease payments	\$1,174,216	\$ 599,541	\$ 574,675	\$ -

**(d) Mortgage facilities**

The Company has outstanding demand mortgage facilities in the amount of \$1,773,796 as at December 31, 2022 (2021 - \$2,211,081). The loans are repayable at various times over the next 66 to 263 months and bear interest at prime plus 3% with monthly aggregate blended monthly payments of \$19,517. The mortgages are secured by promissory notes, first charge on the property and buildings and corporate guarantees. The facilities are secured by land and building with a carrying value of \$5,325,000 (2021 - \$5,884,210). The lender has waived the demand provision for the next 365 days after year end provided there are no events of default.

**(e) Finance expense**

Interest expense was incurred during the year from the following sources:

	Year ended December 31, 2022	Year ended December 31, 2021
Interest on loans and borrowings	\$ 1,213,626	\$ 924,391
Interest on lease liabilities	127,917	116,904
Amortization of prepaid transaction costs	136,725	160,693
Finance expense	\$ 1,478,268	\$ 1,201,988

Revisions due to contract modifications are recorded through finance expense as per the Company's accounting policy.

**9. Share capital**

**Authorized:**

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

**Normal course issuer bid**

During the year ended December 31, 2022, the Company repurchased and cancelled a total of 1,799,000 shares at a cost of \$714,614 (2021 - 2,034,500 shares at a cost of \$507,552). The shares were purchased in the open market in accordance with the normal course issuer bid approved by the TSX. The Company renewed its bid on August 26, 2022, with a termination date of August 29, 2023, or such earlier time as the bid is completed or terminated at the option of the Company.

**10. Share-based payments**

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

<b>Outstanding stock options December 31, 2022</b>	<b>Number</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining contractual life (months)</b>
Stock options, beginning of year	4,881,000	\$ 0.18	-
Exercised	(4,881,000)	\$ 0.19	-
Issued	5,100,000	\$ 0.45	35
<b>Stock options, end of period</b>	<b>5,100,000</b>	<b>\$ 0.45</b>	<b>35</b>
<b>Exercisable stock options, December 31, 2022</b>	<b>207,778</b>	<b>\$ 0.45</b>	<b>35</b>

During the year ended December 31, 2022, 4,881,000 options were exercised at a weighted average exercise price of \$0.185 per option, resulting in net proceeds of \$901,070.

Outstanding stock options December 31, 2021	Number	Weighted average exercise price	Weighted average remaining contractual life (months)
Stock options, beginning of year	5,025,000	\$ 0.18	6
Expired	(490,000)	\$ 0.15	-
Issued	346,000	\$ 0.25	4
Stock options, end of year	4,881,000	\$ 0.18	6
<b>Exercisable stock options, December 31, 2021</b>	<b>4,881,000</b>	<b>\$ 0.18</b>	<b>6</b>

On November 17, 2022, the Company issued 5,100,000 options to Directors, Officers and employees of the Company. The weighted average fair value of the options granted was \$0.12 estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	<b>2022</b>
Fair value at grant date	\$0.12
Share price	\$0.43
Exercise price	\$0.45
Expected term	36 months
Risk-free interest	3.64%
Expected dividends	nil
Volatility	38%

The Company recorded share-based compensation of \$102,140 for the year ended December 31, 2022. The options vested equally over a three year period.

On May 19, 2021, the Company issued 490,000 options to Directors, Officers and employees of the Company. The weighted average fair value of the options granted was \$0.0725 estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	<b>2021</b>
Fair value at grant date	\$0.0725
Share price	\$0.25
Exercise price	\$0.245
Expected term	12 months
Risk-free interest	1.58%
Expected dividends	nil
Volatility	71%

The Company recorded share-based compensation of \$25,085 for the year ended December 31, 2021, as the options vested immediately.



**11. Earnings (loss) per share**

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

	2022	2021
Weighted average common shares outstanding - basic	49,118,044	48,717,533
Net income (loss) and comprehensive income (loss)	\$2,275,495	\$(2,375,818)
Basic and diluted earnings (loss) per share	\$0.05	\$(0.05)

**12. Related party transactions**

The Company has entered into 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 companies controlled by Leonard Jaroszuk, President and Chief Executive Officer, and Desmond O'Kell, Senior Vice President and Director, as compensation for serving in their roles as officers for the Company.

Years ended December 31,	2022	2021
Management and consulting fees	\$1,038,204	\$679,016

**13. Supplemental cash flow information**

Years ended December 31,	2022	2021
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**(a) Changes in non-cash working capital:**

Trade and other receivables	\$(2,323,535)	\$(1,188,478)
Unbilled revenue	(11,162)	(352,189)
Inventories	(30,931)	(84,373)
Deposits and prepaid expenses	(284,179)	(104,888)
Trade and other payables	381,745	373,931
	<b>\$(2,268,062)</b>	<b>\$(1,355,997)</b>

**(b) Other non-cash transactions:**

Purchases under lease liabilities	\$ 791,804	\$ 406,911
Amortization of prepaid borrowing costs	\$ 136,726	\$ 133,355

**(c) Cash taxes paid**

Cash taxes paid for the period ended December 31, 2022, was \$nil (2021 - \$nil).

The Company utilized the Canadian Emergency Wage Subsidy Program (CEWS), and the Canadian Emergency Rent Subsidy (CERS). Under these programs the Company was eligible for or received: CEWS of \$nil (2021 - \$1,544,714), CERS of \$nil (2021 - \$332,528) for the year ended December 31, 2022.

The Company utilized the Canadian Emergency Wage Subsidy Program as intended, keeping employees working and on payroll during the COVID-19 pandemic. The CEWS and CERS programs ended in October 2021. The Company continues to monitor changes to all government programs and will alter its cost structure accordingly if required. Utilizing the CEWS and CERS programs, the Company recorded \$nil (2021 - \$1,649,087) against direct costs, and \$nil (2021 - \$1,908,866) against EBITDA for the year ended December 31, 2022.