



**Management's Discussion and Analysis**

**For the years ended December 31, 2023 and 2022**

---

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

### **For the years ended December 31, 2023 and 2022**

---

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, 2023 and 2022. 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.sedarplus.ca](http://www.sedarplus.ca) and at [www.enterprisegrp.ca](http://www.enterprisegrp.ca).

This MD&A was prepared effective March 5, 2024.

### **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; 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.

### **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. 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.

In April 2022, Enterprise Group officially launched a new wholly owned subsidiary, Evolution Power Projects, Inc. (“EPP”). EPP is the leading provider of low emission, mobile power systems and associated surface infrastructure to the Energy, Resource, and Industrial sectors. The company’s highly innovative methods are delivering to its client’s low emission natural gas powered systems and micro-grid technology, allowing clients to eliminate diesel entirely. EPP’s systems are equipped to deliver real-time emission metrics providing its clients the assurances necessary for them to accomplish their ESG reporting and objectives.

### **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.

## OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

	Three months December 31, 2023	Three months December 31, 2022	Year months December 31, 2023	Year ended December 31, 2022
Revenue	\$9,598,945	\$8,743,471	\$33,500,501	\$26,892,249
Gross margin	\$4,844,194 50%	\$4,157,875 48%	\$15,501,969 45%	\$10,879,928 40%
Adjusted EBITDA <sup>(1)</sup>	\$4,374,735 46%	\$3,238,612 37%	\$13,285,880 40%	\$8,149,223 30%
Net income and comprehensive income	\$2,255,159	\$1,788,426	\$6,169,904	\$2,275,495
Income per share – Basic and Diluted	\$0.05	\$0.04	\$0.12	\$0.05

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

- The 2023 year is one of the strongest in recent history and activity in the first part of 2024 continues to be strong. Drilling and completion activity was higher throughout 2023 and the Company saw many of its customers using more natural gas powered equipment to support site infrastructure and as a result, there was more demand for the Company's products and services. The 2023 year did have some challenges in the second and fourth quarters, mainly from forest fires in Northern Alberta and British Columbia and project delays due to warm weather in the fourth quarter. Revenue for the three months ended December 31, 2023, was \$9,598,945 compared to \$8,743,471 in the prior period, an increase of \$864,474 or 10%. Gross margin for the three months ended December 31, 2023, was \$4,844,194 compared to \$4,157,875 in the prior period, an increase of \$686,321 or 17%. Adjusted EBITDA for the three months ended December 31, 2023, was \$4,374,735 compared to \$3,238,612 in the prior period, an increase of \$1,136,123 or 35%. Revenue for the year ended December 31, 2023, was \$33,500,501 compared to \$26,892,249 in the prior year, an increase of \$6,608,252 or 25%. Gross margin for the year ended December 31, 2023, was \$15,501,969 compared to \$10,879,928 in the prior year, an increase of \$4,622,041 or 42%. Adjusted EBITDA for the year ended December 31, 2023, was \$13,285,880 compared to \$8,149,223 in the prior year, an increase of \$5,138,657 or 63%. Increases in revenue, gross margin and EBITDA for the year, are reflective of increased customer activity in 2023 while maintaining the operating efficiencies of the Company.
- For the year ended December 31, 2023, the company generated cash flow from operations of \$13,530,272 compared to \$5,910,830 in the prior year. This change is consistent with the higher activity levels during the year and the growth in the natural gas power generation business. 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, 2023, the Company acquired \$15,110,693 of capital assets, primarily for natural gas power generation equipment and facilities, upgrading existing equipment, and meeting specific requests from customers. Also, the Company purchased land to expand operations and is in the process of constructing a new facility. The Company continues to see its customers switching to natural gas as a cleaner and more efficient alternative to diesel, increasing the demand for natural gas generators and micro-grid packages.
- During the year ended December 31, 2023, the Company repurchased and cancelled 1,278,500 shares at a cost of \$512,085, or \$0.40 per share. These shares had a carrying value of \$1.32 per share for a total of \$1,681,478 which has been removed from the share capital account. Since the initiation of the share buyback program, the Company has purchased and cancelled 11,336,000 shares at a cost of \$2,903,646 or \$0.26 per share. These shares have a carrying value of \$1.41 per share for a total of \$15,970,630 which has been removed from the share capital account over the entire share buyback program. The Company renewed its bid on August 24, 2023, with a termination date of August 29, 2024, or such earlier time as the bid is completed or terminated at the option of the Company. Management will continue to acquire its shares as they believe its stock remains undervalued as the Company's book value is \$0.82 per share. Additionally, the Company has available tax losses of \$0.14 per share and is in the process of developing a consolidated tax plan to utilize those losses.
- On September 29, 2023, the Company made changes to its bank loan facility. The term has been extended for one additional year, now expiring on September 29, 2025. The interest rate changed to 10.5% and prepayment penalties have been removed. These changes give the Company greater flexibility on financing choices to meet increased activity and the demands of its customers.
- On January 23, 2023, the Company's common shares began trading on the OTCQB Venture Market under the ticker



symbol ETOLF. In addition to the listing, Enterprise's shares are now eligible for electronic clearing and settlement with the Depository Trust Company for trading in the United States. This listing will help to increase Enterprise's visibility and accessibility to a growing audience of U.S. investors.

### Selected Consolidated Expenses

	<b>Three months December 31, 2023</b>	Three months December 31, 2022	<b>Year ended December 31, 2023</b>	Year ended December 31, 2022
Selected Consolidated Expenses:				
General and administrative	<b>\$469,459</b>	\$919,263	<b>\$2,216,089</b>	\$2,732,705
Finance expense	<b>\$641,581</b>	\$423,424	<b>\$1,912,251</b>	\$1,478,268
Depreciation	<b>\$1,339,682</b>	\$956,167	<b>\$4,955,614</b>	\$4,466,080
(Loss) gain on sale of property, plant and equipment	<b>\$(72,066)</b>	\$43,061	<b>\$153,483</b>	\$228,251

#### *General and administrative expenses*

General and administrative expenses for the three months ended December 31, 2023, was \$469,459 compared to the prior period of \$919,263. For the year ended December 31, 2023, general and administrative expenses were \$2,216,089, a decrease of \$516,616. Decrease is a result of higher bonuses paid in the third quarter of the prior year partially offset by higher insurance premiums, higher professional fees, and higher activity in corporate development and investor relations.

#### *Finance expense*

Finance expense includes interest charges on all outstanding debt including: the bank loan facility, leases, mortgage facilities, and vendor take-back loans. 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, 2023, increased to \$641,581 from \$423,424 compared to the prior period. For the year ended December 31, 2023, finance expense on long term debt increased to \$1,912,251 from \$1,478,268 compared to the prior year. This increase is primarily from a higher bank loan facility balance and corresponding interest charges compared to the prior year.

#### *Depreciation*

Depreciation for the three months ended December 31, 2023, was \$1,339,682, an increase of \$303,515 compared to the prior period. For the year ended December 31, 2023, depreciation of property, plant and equipment was \$4,955,614, an increase of \$489,534 over the prior year. The increases are reflective of the Company's increased capital expenditure program acquiring equipment to meet customers demand and maintaining a modern fleet of equipment.

#### *Gain on sale of property, plant and equipment*

For the year ended December 31, 2023, the Company sold property, plant and equipment with a net book value of \$719,357 and received proceeds of \$823,396 (2022 - net book value of \$1,018,942 and proceeds of \$1,216,724). The gain on sale of property, plant and equipment of \$153,483 included sales related costs of \$49,443 (2022 - gain on sale of \$228,251 including sales related costs of \$1,165).

## OUTLOOK

Capital spending in the energy industry has been steadily improving. Ongoing investments in infrastructure are enhancing market access and efficiency which is facilitating access to international markets. Industry data on drilling and completion activity, high commodity prices and significant increases to budgeted capital programs, all support improved activity.

The Company continues to see its customers embracing technological innovation to improve efficiency, reduce emissions, and lower costs. Many customers have begun to use natural gas as a cleaner and more efficient alternative to diesel, providing the Company with new opportunities for its natural gas power solutions. Enterprise will continue to work with all its stakeholders, including customers, suppliers, and indigenous partners to provide effective solutions to help reduce carbon emissions.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

	Three months December 31, 2023	Three months December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2021 <sup>(2)</sup>
Revenue	\$9,598,945	\$8,734,471	\$33,500,501	\$26,892,249	\$18,732,335
Adjusted EBITDA <sup>(1)</sup>	\$4,374,735	\$3,283,611	\$13,285,880	\$8,147,223	\$2,962,020
Income (loss) before income tax	\$2,255,159	\$1,787,228	\$6,169,904	\$2,274,295	\$(2,418,409)
Net income (loss) and comprehensive income (loss)	\$2,255,159	\$1,788,428	\$6,169,904	\$2,275,495	\$(2,375,818)
Basic earnings (loss) per share	\$0.05	\$0.04	\$0.12	\$0.05	\$(0.05)
Diluted earnings (loss) per share	\$0.05	\$0.04	\$0.12	\$0.05	\$(0.05)
Weighted average common shares outstanding – basic	49,687,374	51,643,754	50,027,864	49,118,044	48,717,533
Weighted average common shares outstanding – diluted	51,104,041	51,643,754	51,444,531	49,118,044	48,717,533
Total common shares outstanding	49,687,374	50,965,874	49,687,374	50,965,874	47,883,874
Total assets	\$72,806,744	\$55,371,667	\$72,806,744	\$55,371,667	\$51,146,957
Total liabilities	\$32,011,620	\$20,585,634	\$32,011,620	\$20,585,634	\$18,925,015
Total equity	\$40,795,124	\$34,786,033	\$40,795,124	\$34,786,033	\$32,221,942

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

(2) During the COVID-19 pandemic the Company utilized the Canadian Emergency Wage Subsidy Program (CEWS), and the Canadian Emergency Rent Subsidy Program (CERS). These programs ended in October 2021. To provide further comparability to pre-Covid operations, the Company has adjusted EBITDA to reflect the results of the operations without the subsidy programs.

## Cash Flow Information

A summary of cash flow information for the years ended December 31, 2023, and 2022, is set out below:

Cash Flow Information	Year ended December 31, 2023	Year ended December 31, 2022
Net cash provided by operating activities	\$13,530,272	\$5,910,830
Net cash used in financing activities	3,481,710	(1,373,388)
Net cash used in investing activities	(14,287,297)	(4,352,287)
Change in cash and cash equivalents	2,724,685	185,155
Cash and cash equivalents, beginning of year	1,061,698	876,543
Cash and cash equivalents, end of year	\$3,786,383	\$1,061,698

The Company continues to generate positive cashflow from operations. Operating activities provided net cash of \$13,530,272 compared to \$5,910,830 in the prior year. Net cash used in financing activities reflects the regular debt reduction payments made during the year of \$1,294,938, including net increase of the bank loan facility of \$4,772,929. Financing activities also includes \$512,085 used in the share buyback program.

Net cash used in investing activities reflects \$15,110,693 paid to purchase property, plant and equipment and \$823,396 of cash received from the sale of equipment. The majority of equipment purchased during the period was to meet customer demand and was largely financed through operating cash flow. This change is consistent with the higher activity levels during the year and the growth in the natural gas power generation business.

## SUMMARY OF QUARTERLY RESULTS

	2023				2022			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Revenue	\$9,598,945	\$8,433,369	\$5,459,855	\$10,008,332	\$8,734,471	\$5,230,675	\$5,297,685	\$7,629,418
Net income (loss) for the period	2,255,159	\$1,639,148	\$(525,736)	\$2,801,335	\$1,788,428	\$(677,679)	\$(513,268)	\$1,678,048
Earnings (loss) per share - Basic	\$0.05	\$0.03	\$(0.01)	\$0.06	\$0.03	\$(0.01)	\$(0.01)	\$0.04
Earnings (loss) per share - Diluted	\$0.05	\$0.03	\$(0.01)	\$0.06	\$0.03	\$(0.01)	\$(0.01)	\$0.03

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

## OUTSTANDING SHARE DATA

	March 5, 2023	December 31, 2023	December 31, 2022
Common shares outstanding	49,794,874	49,687,374	50,965,874
Stock options outstanding	5,050,000	5,100,000	5,100,000
Total	54,844,874	54,787,374	56,065,874

During the year ended December 31, 2023, the Company purchased and cancelled 1,278,500 shares through its normal course issuer bid. As at March 5, 2024, Management's ownership position is 41%.

## POST REPORTING DATE EVENT

On February 26, 2024, the Company announced that it entered into a bought deal agreement, under the Listed Issuer Financing Exemption (LIFE) program, to which the underwriter agreed to purchase 5,882,350 Units of Enterprise at a price of \$0.85 per Unit for gross proceeds of approximately \$5 million. Each Unit was comprised of one common share in the capital of the Company and one-half of one common share purchase warrant. Each share warrant will be exercisable to one additional common share for a period of 24 months following the close of the offer at \$0.95 per warrant share. The shares under the LIFE program are not subject to resales restrictions pursuant to applicable Canadian securities laws.

The underwriter also agreed to a concurrent private placement of the units of up to \$2 million under the same terms and conditions. The units under the private placement will be subject to a four month hold period from the date of issuance.

The closing of the LIFE issuance and private placement is expected to be on or about March 12, 2024.

## 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, 2023.

## KEY MANAGEMENT COMPENSATION

<b>Years ended December 31,</b>	<b>2023</b>	<b>2022</b>
Salaries and directors' fees	<b>\$576,235</b>	\$586,062
Share based payments	<b>168,150</b>	87,119
	<b>\$744,385</b>	\$673,181

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. 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.

### ii. Deferred taxes

Management estimates the probability of future taxable income in which deferred tax assets can be utilized based on the Company's forecasted budget. The Company also takes into consideration non-taxable income and expenses and the various tax rules in effect or expected to be in effect at a future date. If a positive



forecast of taxable income indicates the probable use of a deferred tax asset, then the asset is recognized. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed by management based on specific circumstances.

## **ESTIMATION UNCERTAINTY**

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

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

- i. **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. **Leases**  
When the Company enters into lease contracts the lease rate and term may not be readily determinable. Rates with lessors 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.

## **RISKS AND UNCERTAINTIES**

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

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

### **Credit risk**

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

The Company has trade receivables from customers in the 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, 2023, of \$nil (December 31, 2022 - \$nil).

At December 31, 2023, \$3,112,000 or 46% of trade receivables was from two customers compared to \$3,147,000 or 42% from three customers as at December 31, 2022.



	December 31, 2023	December 31, 2022
Current (less than 90 days)	\$ 6,686,413	\$ 7,412,207
Past due (more than 90 days)	31,521	44,398
<b>Total</b>	<b>\$ 6,717,934</b>	<b>\$ 7,456,605</b>

### 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, 2023, the Company generated 37% of revenue from two customers (2022 - 34% from two customers). No other customers comprise more than 10% of revenues.

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, 2023:

Contractual Obligations December 31, 2023	Total	2023	2024	2025	2026	2027	After 5 years
Trade and other payables	\$2,346,091	\$2,346,091	\$-	\$-	\$-	\$-	\$-
Loans and borrowings	25,698,528	1,352,278	1,243,061	21,199,037	513,815	353,961	1,036,377
<b>Total contractual obligations</b>	<b>\$28,044,619</b>	<b>\$3,698,369</b>	<b>\$1,243,061</b>	<b>\$21,199,037</b>	<b>\$513,815</b>	<b>\$353,961</b>	<b>\$1,036,377</b>

Rent expense for short-term leases and leases of low-value assets expensed for the year ended December 31, 2023, was \$729,952 (2022 - \$651,891). At December 31, 2023, the Company was committed to short term leases and the total commitment at that date was \$130,106 (2022 - \$122,785).

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, 2023, to impact the Company's annual interest expense by approximately \$39,000 (December 31, 2022 - \$18,000). 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, 2023, the Company has met these objectives.

	December 31, 2023	December 31, 2022
Bank loan facility	\$17,649,700	\$12,712,083
Current portion of loans and borrowings	1,352,278	605,198
Long term loans and borrowings	6,696,550	2,192,066
Net funded debt	25,698,528	15,509,347
Shareholders' equity	40,795,124	34,786,033
Total capital	\$66,493,652	\$50,295,380

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, 2023, 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 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 implementing cost control measures and possibly expand its services into other industries in order to manage through the recession.
- **Cyclicality** – 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 cyclicality 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, natural disasters,

such as fires, floods, earthquakes, or hurricanes; or other unanticipated events, such as cyberattacks, 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, 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 these interruptions will have on its ability to execute its business plans.

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 5, 2024.

## RELATED PARTY TRANSACTIONS

The Company has entered into transactions in the normal course of business with a corporation controlled by an officer and director of the Company. These transactions were recorded at the exchange amount established and agreed to by the parties. Management and consulting fees were paid to a company controlled by Leonard Jaroszuk, President and Chief Executive Officer (2022 - Leonard Jaroszuk, President and Chief Executive Officer, and Desmond O'Kell, Senior Vice President and Director), as compensation for serving in his role as director and officer for the Company.

<b>Years ended December 31,</b>	<b>2023</b>	<b>2022</b>
Management and consulting fees	<b>\$797,629</b>	<b>\$1,038,204</b>

## INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

### Management's Interim 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, 2023 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 Interim Report on Disclosure Controls

As of December 31, 2023, 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, 2023.

## 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

Adjusted EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Company's principal business activities prior to consideration of how those activities are financed and how the results are taxed. 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 income (loss) to Adjusted EBITDA:

	Three months December 31, 2023	Three months December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2021 <sup>(1)</sup>
Net income (loss)	\$2,255,159	\$1,788,426	\$6,169,904	\$2,275,495	\$(2,375,818)
Add:					
Interest	641,581	423,424	1,912,251	1,478,268	1,201,988
Income taxes recovery	nil	(1,200)	nil	(1,200)	(42,591)
Depreciation and amortization	1,352,218	968,882	5,005,936	4,520,771	5,856,215
Loss (gain) on disposal of property, plant and equipment	72,066	(43,061)	(153,483)	(228,251)	203,007
Share-based payments	53,711	102,140	351,272	102,140	25,085
Subsidies – CEWS and CERS	nil	nil	nil	nil	(1,908,866)
Adjusted EBITDA	\$4,374,735	\$3,238,611	\$13,285,880	\$8,147,223	\$2,959,020

- (1) During the COVID-19 pandemic the Company utilized the Canadian Emergency Wage Subsidy Program (CEWS), and the Canadian Emergency Rent Subsidy Program (CERS). These programs ended in October 2021. To provide further comparability to pre-Covid operations, the Company has adjusted EBITDA to reflect the results of the operations without the subsidy programs.

**ADDITIONAL INFORMATION**

Additional information, including the Company's Annual Information Form, can be found on SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca) 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

**CONTACT INFORMATION**

#2, 64 Riel Drive  
St. Albert, Alberta,  
Canada T8N 4A4

Phone: (780) 418-4400

Fax: (780) 418-1941

Toll Free: (888) 303-3361

Email: [contact@enterprisegrp.ca](mailto:contact@enterprisegrp.ca)

Website: [www.enterprisegrp.ca](http://www.enterprisegrp.ca)