



Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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 5, 2023

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

Independent Auditor's Report

Grant Thornton LLP
11th Floor
200 King Street West, Box 11
Toronto, ON
M5H 3T4
T +1 416 366 0100
F +1 416 360 4949

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, 2023 and December 31, 2022 and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting information.

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, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting 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.

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 IFRS Accounting 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.
- 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 7, 2024

Chartered Professional Accountants
Licensed Public Accountants

ENTERPRISE GROUP, INC.
Consolidated Statements of Financial Position

| As at December 31 | 2023 | 2022 |
|---|----------------------|----------------------|
| Assets | | |
| Cash and cash equivalents (note 3) | \$ 3,786,383 | \$ 1,061,698 |
| Trade and other receivables (note 3) | 6,717,934 | 7,456,605 |
| Unbilled revenue | 742,166 | 592,954 |
| Inventories (note 4) | 286,654 | 327,160 |
| Deposits and prepaid expenses | 1,325,948 | 549,873 |
| | 12,859,085 | 9,988,290 |
| Property, plant and equipment (note 5) | 55,532,641 | 41,823,259 |
| Goodwill | 351,910 | 351,910 |
| Intangible assets (note 6) | 96,107 | 146,430 |
| Deferred tax assets (note 7) | 3,967,001 | 3,061,778 |
| | 59,947,659 | 45,383,377 |
| Total assets | \$ 72,806,744 | \$ 55,371,667 |
| Liabilities | | |
| Trade and other payables (note 3) | \$ 2,346,091 | \$ 2,014,509 |
| Current portion of loans and borrowings (note 8) | 1,352,278 | 605,198 |
| | 3,698,369 | 2,619,707 |
| Long term portion of loans and borrowings (note 8) | | |
| Bank loan facility | 17,649,700 | 12,712,083 |
| Leases | 3,008,102 | 532,270 |
| Mortgages | 3,688,448 | 1,659,796 |
| Deferred tax liabilities (note 7) | 3,967,001 | 3,061,778 |
| Total liabilities | 32,011,620 | 20,585,634 |
| Equity | | |
| Share capital (note 9) | 65,320,978 | 67,002,456 |
| Contributed surplus | 20,157,336 | 18,636,671 |
| Deficit | (44,683,190) | (50,853,094) |
| Total equity | 40,795,124 | 34,786,033 |
| Total equity and liabilities | \$ 72,806,744 | \$ 55,371,667 |

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 and Comprehensive Income

| Years ended December 31, | 2023 | 2022 |
|--|----------------------|----------------------|
| Revenue | \$ 33,500,501 | \$ 26,892,249 |
| Direct expenses | (17,998,532) | (16,012,321) |
| Gross margin | 15,501,969 | 10,879,928 |
| General and administrative expenses | (2,216,089) | (2,732,705) |
| Depreciation of property, plant and equipment (note 5) | (4,463,819) | (3,914,208) |
| Depreciation of right-of-use assets (note 5) | (491,795) | (551,872) |
| Share-based payments (note 10) | (351,272) | (102,140) |
| Amortization of intangible assets | (50,322) | (54,691) |
| Gain on sale of property, plant and equipment (note 5) | 153,483 | 228,251 |
| Income before financing and taxes | 8,082,155 | 3,752,563 |
| Finance expense | (1,912,251) | (1,478,268) |
| Income before income tax | 6,169,904 | 2,274,295 |
| Income tax expense (note 7) | - | 1,200 |
| Net income and comprehensive income | \$ 6,169,904 | \$ 2,275,495 |
| Income per share (note 11) | | |
| Basic and diluted earnings per share | \$ 0.12 | \$ 0.05 |

ENTERPRISE GROUP, INC.
Consolidated Statements of Cash Flows

| Years ended December 31, | 2023 | 2022 |
|---|------------------------|-----------------------|
| Cash flows from operating activities: | | |
| Net income | \$ 6,169,904 | \$ 2,275,495 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 4,463,819 | 3,914,208 |
| Depreciation of right-of-use assets | 491,795 | 551,872 |
| Amortization of intangible assets | 50,322 | 54,691 |
| Gain on sale of property, plant and equipment | (94,562) | (197,782) |
| Share based payments | 351,272 | 102,140 |
| Finance expense | 1,912,251 | 1,478,268 |
| Change in non-cash working capital (note 13) | 185,471 | (2,268,062) |
| Net cash provided by operating activities | \$ 13,530,272 | \$ 5,910,830 |
| Cash flows from financing activities: | | |
| Net proceeds of bank loan facility | 4,772,929 | 1,482,986 |
| Proceeds from mortgage facilities | 2,257,514 | - |
| Interest and borrowing costs paid on loans and borrowings | (1,741,710) | (1,386,533) |
| Repayment of lease liabilities | (1,151,026) | (892,857) |
| Repayment of mortgage facilities | (143,912) | (446,455) |
| Repayment of vendor take-back loan | - | (316,985) |
| Share buyback and cancellation (note 9) | (512,085) | (714,614) |
| Stock options exercised | - | 901,070 |
| Net cash provided (used) in financing activities | \$ 3,481,710 | \$ (1,373,388) |
| Cash flows from investing activities: | | |
| Purchase of property, plant and equipment | (15,110,693) | (5,569,011) |
| Proceeds on sale of property, plant and equipment | 823,396 | 1,216,724 |
| 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 |

ENTERPRISE GROUP, INC.

Consolidated Statements of Changes in Equity

| | Number of common shares | Share capital | Contributed surplus | Deficit | Total |
|--|-------------------------------|---------------------|------------------------|-----------------------|---------------------|
| Balance as at December 31, 2021 | 47,883,874 | \$68,172,183 | \$17,178,348 | \$(53,128,589) | \$32,221,942 |
| 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 |
| Balance as at December 31, 2022 | 50,965,874 | \$67,002,456 | \$18,636,671 | \$(50,853,094) | \$34,786,033 |
| Common shares repurchased and cancelled (note 9) | (1,278,500) | (1,681,478) | 1,169,393 | - | (512,085) |
| Share-based payments | - | - | 351,272 | - | 351,272 |
| Net income | - | - | - | 6,169,904 | 6,169,904 |
| Balance as at December 31, 2023 | 49,687,374 | \$65,320,978 | \$20,157,336 | \$(44,683,190) | \$40,795,124 |

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". The Company's shares are also listed on the OTCQB Venture Market under the symbol "ETOLF". 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, 2023, and 2022, 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 5, 2024.

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.. 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 and comprehensive income.

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. 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.
- 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.

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.

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.

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 per share

Basic earnings 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 per share is determined by adjusting the profit 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.

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) 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, 2023, and as at December 31, 2022.

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

| | 2023 | 2022 |
|------------------------------|---------------|---------------|
| Financial assets | | |
| Cash and cash equivalents | \$ 3,786,383 | \$ 1,061,698 |
| Trade and other receivables | \$ 6,717,934 | \$ 7,456,605 |
| Deposits | \$ 853,231 | \$ 315,059 |
| Financial liabilities | | |
| Trade and other payables | \$ 2,346,091 | \$ 2,014,509 |
| Loans and borrowings | \$ 25,698,528 | \$ 15,509,347 |

Financial risk management

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

(b) Credit risk

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

The Company has trade receivables from customers in the 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.

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

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations. On an ongoing basis the Company manages liquidity risk by maintaining adequate cash and cash equivalents balances and appropriately utilizing available lines of credit. 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 following are undiscounted contractual maturities of financial liabilities, including estimated interest at December 31, 2023, and December 31, 2022:

| | Carrying amount | Contractual cash flows | Due within one year | Two-five years | More than five years |
|--------------------------|----------------------|------------------------|---------------------|----------------------|----------------------|
| December 31, 2023 | | | | | |
| Trade and other payables | \$ 2,346,091 | \$ 2,346,091 | \$ 2,346,091 | \$ - | \$ - |
| Loans and borrowings | 25,698,528 | 31,789,597 | 3,835,733 | 26,018,741 | 1,935,123 |
| | \$ 28,044,619 | \$ 34,135,688 | \$ 6,181,824 | \$ 26,018,741 | \$ 1,935,123 |
| December 31, 2022 | | | | | |
| 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 |
| | \$ 17,523,856 | \$ 21,652,785 | \$ 4,101,547 | \$ 15,460,669 | \$ 2,090,569 |

(d) Market risk

Market risk is the risk of changes in market prices, such as interest rates, which will affect the Company's income or the value of its financial instruments. Management has assessed the effect of a 1% interest rate increase or decrease in the prime lending rate at 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.

| | 2023 | 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.

4. Inventories

| Years ended December 31, | 2023 | 2022 |
|-------------------------------|------------|------------|
| Inventory, parts and supplies | \$ 286,654 | \$ 327,160 |

Inventory, parts and supplies expensed in direct expenses during the year ended December 31, 2023, were \$442,131 (2022 - \$561,284).

5. Property, plant and equipment

| Cost | Balance at | | | Balance at | |
|--|----------------------|---------------|----------------|-------------|----------------------|
| | December 31, 2022 | Additions | Disposals | Reclass | December 31, 2023 |
| Land | \$ 4,120,000 | \$ 2,650,000 | \$ - | \$ - | \$ 6,770,000 |
| Buildings | 1,516,912 | - | - | - | 1,516,912 |
| Leasehold improvements | 291,325 | - | - | - | 291,325 |
| Computers and communication equipment | 270,197 | 38,466 | (7,986) | - | 300,677 |
| Small equipment | 1,359,548 | 223,446 | (14,692) | 679,399 | 2,247,701 |
| Light automotive equipment | 703,995 | - | (115,350) | - | 588,645 |
| Heavy automotive, construction and portable rental equipment | 67,285,800 | 8,048,488 | (795,575) | 3,709,277 | 78,247,990 |
| Right-of-use assets | 3,518,521 | 4,273,660 | (236,694) | 8,923 | 7,564,410 |
| Property, plant and equipment under construction | 1,791,434 | 4,150,293 | (81,588) | (4,397,599) | 1,462,540 |
| | \$ 80,857,732 | \$ 19,384,353 | \$ (1,251,885) | \$ - | \$ 98,990,200 |

Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

| | Accumulated depreciation | | | Carrying amounts | | |
|--|------------------------------------|------------------------------|---------------------|------------------------------------|------------------------------------|------------------------------------|
| | Balance at December 31, 2022 | Depreciation for the year | Disposals | Balance at December 31, 2023 | Balance at December 31, 2022 | Balance at December 31, 2023 |
| Land | \$ - | \$ - | \$ - | \$ - | \$ 4,120,000 | \$ 6,770,000 |
| Buildings | 115,556 | 21,072 | - | 136,628 | 1,401,356 | 1,380,284 |
| Leasehold improvements | 242,465 | 18,154 | - | 260,619 | 48,860 | 30,706 |
| Computers and communication equipment | 239,290 | 27,226 | (7,986) | 258,530 | 30,907 | 42,147 |
| Small equipment | 710,470 | 339,777 | (11,774) | 1,038,473 | 649,078 | 1,209,228 |
| Light automotive equipment | 540,278 | 9,242 | (67,161) | 482,359 | 163,717 | 106,286 |
| Heavy automotive, construction and portable rental equipment | 35,231,184 | 4,048,348 | (333,118) | 38,946,414 | 32,054,616 | 39,301,576 |
| Right-of-use assets | 1,955,230 | 491,795 | (112,489) | 2,334,536 | 1,563,291 | 5,229,874 |
| Property, plant and equipment under construction | - | - | - | - | 1,791,434 | 1,462,540 |
| | \$ 39,034,473 | \$ 4,955,614 | \$ (532,528) | \$ 43,457,559 | \$ 41,823,259 | \$ 55,532,641 |

| Cost | Balance at December 31, 2021 | Additions | Disposals | Reclass | Balance at December 31, 2022 |
|--|------------------------------------|---------------------|-----------------------|-------------|------------------------------------|
| Land | \$ 4,679,210 | \$ - | \$(59,210) | \$ - | \$ 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 amount | | |
|--|------------------------------------|------------------------------|---------------------|------------------------------------|------------------------------------|------------------------------------|
| | 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 |

Included in the carrying amount of \$55,532,641 is \$1,462,540 (2022 - \$1,791,434) of heavy automotive, construction and portable rental equipment under construction, which are not being depreciated, as they are not yet available for use.

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

| | December 31, 2023 | December 31, 2022 |
|--|----------------------|----------------------|
| Right-of-use assets | | |
| Buildings and premises | \$ 1,211,259 | \$ 189,814 |
| Small equipment | 31,328 | 18,781 |
| Light automotive equipment | 2,477,772 | 1,354,696 |
| Heavy automotive, construction and portable rental equipment | 1,509,515 | - |
| | \$ 5,229,874 | \$ 1,563,291 |

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

Rent expense for short-term leases and leases of low-value assets expensed for the years ended December 31, 2023, was \$729,952 (2022 - \$651,861). 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).

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).

6. Goodwill and intangible assets

| | Cost | | Accumulated amortization | | | Carrying amounts | | |
|-------------------------------|------------------------------------|-------------|------------------------------------|------------------------------------|------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | Balance at December 31, 2022 | Additions | Balance at December 31, 2023 | Balance at December 31, 2022 | Amortization for the year | Balance at December 31, 2023 | Balance at December 31, 2022 | Balance at December 31, 2023 |
| Software | \$ 259,753 | \$ - | \$ 259,753 | \$ 259,573 | \$ 180 | \$ 259,753 | \$ 180 | \$ - |
| Customer relationships | 260,000 | - | 260,000 | 113,750 | 50,142 | 163,893 | 146,250 | 96,107 |
| | \$ 519,753 | \$ - | \$ 519,753 | \$ 373,323 | \$ 50,322 | \$ 423,646 | \$ 146,430 | \$ 96,107 |

| | 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 |
| Software | \$ 259,753 | \$ - | \$ 259,753 | \$ 255,025 | \$ 4,548 | \$ 259,573 | \$ 4,728 | \$ 180 |
| Customer relationships | 260,000 | - | 260,000 | 63,607 | 50,143 | 113,750 | 196,393 | 146,250 |
| | \$ 519,753 | \$ - | \$ 519,753 | \$ 318,632 | \$ 54,691 | \$ 373,323 | \$ 201,121 | \$ 146,430 |

At December 31, 2023, 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, 2023. 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, | 2023 | 2022 |
|---|-------------|------------|
| Current tax recovery | \$ - | \$ (1,200) |
| Book to file adjustments | - | - |
| Current tax recovery | - | (1,200) |
| Deferred tax | | |
| Origination and reversal of temporary differences | 1,564,896 | 634,728 |
| Change in tax rates and rate differences | 3 | (384,436) |
| Change in unrecognized temporary differences | (1,564,899) | (250,292) |
| Deferred tax recovery | - | - |
| Income tax recovery | \$ - | \$ (1,200) |

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:

| Year ended December 31, | 2023 | 2022 |
|--|--------------|--------------|
| Income before tax | \$ 6,169,904 | \$ 2,274,294 |
| Statutory income tax rate | 24.09 % | 23.00 % |
| Expected income tax expense (recovery) | 1,486,330 | 523,088 |
| Non-deductible items | 78,418 | 31,574 |
| Change in unrecognized temporary differences | (1,564,899) | (250,292) |
| Change in tax rates and rate differences | - | (304,370) |
| Other | 151 | - |
| Changes in estimates related to prior years | - | (1,200) |
| Income tax recovery | \$ - | \$ (1,200) |

(b) Recognized deferred tax assets and liabilities

| | 2023 | 2022 |
|---|----------------|----------------|
| Deferred tax assets are attributable to the following: | | |
| Intangibles | \$ 107,169 | \$ 113,074 |
| Property, plant and equipment | 29,717 | - |
| Finance fees | 21,620 | 15,706 |
| Finance lease obligation | 978,792 | 247,866 |
| Non-capital losses | 5,758,397 | 6,067,094 |
| Deferred tax assets | 6,895,695 | 6,443,740 |
| Offset by deferred tax liabilities below | (2,928,694) | (3,381,962) |
| Net deferred tax assets | \$ 3,967,001 | \$ 3,061,778 |
| Deferred tax liabilities are attributable to the following: | | |
| Property, plant and equipment | \$ (6,793,402) | \$ (6,335,483) |
| Intangible assets | (25,949) | (39,488) |
| Unbilled revenue | (76,344) | (68,769) |
| Deferred tax liabilities | (6,895,695) | (6,443,740) |
| Offset by deferred tax assets above | 2,928,694 | 3,381,962 |
| Net deferred tax liabilities | \$ (3,967,001) | \$ (3,061,778) |
| Net deferred tax asset (liability) | \$ - | \$ - |

(c) Unrecognized deferred tax assets and liabilities

The non-capital loss carryforwards expire between 2034 and 2043. 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.

| | 2023 | 2022 |
|---|--------------|---------------|
| Deductible temporary differences | \$ 1,197,553 | \$ 1,197,553 |
| Tax losses | 4,676,626 | 10,393,100 |
| Total items for which no deferred tax asset has been recognized | \$ 5,874,179 | \$ 11,590,653 |

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(d) Movement in temporary difference during the years ended December 31, 2023, and 2022:

| For the year ended | December 31, 2022 | Recognized in Profit and Loss | December 31, 2023 |
|---|----------------------|----------------------------------|----------------------|
| Non capital losses | \$ 6,067,094 | \$ (308,697) | \$ 5,758,397 |
| Intangible assets | 113,074 | (5,905) | 107,169 |
| Finance lease obligation | 247,866 | 730,926 | 978,792 |
| Property, plant and equipment | (6,335,483) | 6,365,200 | 29,717 |
| Finance fees | 15,706 | 5,914 | 21,620 |
| Unbilled revenue, net of receivable holdbacks | (68,769) | (7,575) | (76,344) |
| Property, plant, and equipment | - | (6,793,402) | (6,793,402) |
| Intangibles | (39,488) | 13,539 | (25,949) |
| | \$ - | \$ - | \$ - |

| For the year ended | December 31, 2021 | Recognized in Profit and Loss | December 31, 2022 |
|---|----------------------|----------------------------------|----------------------|
| Non capital losses | \$ 5,848,216 | \$ 218,878 | \$ 6,067,094 |
| Intangibles assets | 708,839 | (595,765) | 113,074 |
| Finance lease obligation | 281,524 | (33,658) | 247,866 |
| Property, plant and equipment | (6,693,344) | 357,861 | (6,335,483) |
| Finance fees | 21,454 | (5,748) | 15,706 |
| Unbilled revenue, net of receivable holdbacks | (113,343) | 44,574 | (68,769) |
| Intangibles | (53,907) | 14,419 | (39,488) |
| Vendor-take-back loans | 561 | (561) | - |
| | \$ - | \$ - | \$ - |

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, 2023 | December 31, 2022 |
|---|----------------------|----------------------|
| Current portion of loans and borrowings | | |
| Current portion of lease liabilities | \$ 1,147,474 | \$ 491,198 |
| Current portion of mortgage facilities | 204,804 | 114,000 |
| Total current portion of loans and borrowings | 1,352,278 | 605,198 |
| Non-current portion of loans and borrowings | | |
| Bank loan facility | 17,649,700 | 12,712,083 |
| Lease liabilities | 3,008,102 | 532,270 |
| Mortgage facilities | 3,688,448 | 1,659,796 |
| Total non-current portion loans and borrowings | 24,346,250 | 14,904,149 |
| Total loans and borrowings | \$ 25,698,528 | \$ 15,509,347 |

(a) **Bank loan facility**

Effective September 29, 2023, the Company amended its existing bank loan facility. The term was extended for one additional year to September 30, 2025. The interest rate changed to 10.5% and all prepayment penalties were removed. The \$30,000,000 revolving line of credit is secured by a first charge on all company assets except those secured by other lenders, and requires no principal repayments until the due date. The facility is subject to certain borrowing restrictions and financial covenants based on forecasted revenue, forecasted EBITDA, and forecasted tangible net worth.

(b) **Lease liabilities**

The Company has outstanding lease liabilities of \$4,155,576 as at December 31, 2023 (2022 - \$1,023,468). The leases bear interest from 3.89% - 11.15%, have aggregate monthly payments of \$154,993 (2022 - \$75,563) and mature at various times over the next 1 - 5 years. The leases are secured by specific equipment with a net book value of \$5,229,874 (2022 - \$1,563,291) of which \$1,211,259 (2022 - \$189,814) pertains to premise leases, \$2,477,772 (2022 - \$1,354,696) pertains to light automotive equipment, \$1,509,515 (2022 - \$nil) pertains to heavy automotive, construction and portable rental equipment, and \$31,328 pertains to small equipment (2022 - \$18,781).

| | Totals | Due within one year | Two-five years | More than five years |
|---|-------------|---------------------|----------------|----------------------|
| Present value of minimum lease payments | \$4,155,577 | \$ 1,425,800 | \$ 2,729,777 | \$ - |
| Interest | 821,171 | 147,544 | 673,627 | - |
| Future minimum lease payments | \$4,976,748 | \$ 1,573,344 | \$ 3,403,404 | \$ - |

(c) **Mortgage facilities**

The Company has outstanding demand mortgage facilities in the amount of \$3,893,252 as at December 31, 2023 (2022 - \$1,773,7961). The loans are repayable at various times over the next 34 to 286 months and bear interest at prime plus 1.25% - 1.5% with monthly aggregate blended monthly payments of \$43,594. 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 \$7,926,000 (2022 - \$5,325,000). The lender has waived the demand provision for the next 365 days after year end provided there are no events of default.

(d) **Finance expense**

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

| | Year ended December 31, 2023 | Year ended December 31, 2022 |
|---|------------------------------------|------------------------------------|
| Interest on loans and borrowings | \$ 1,480,049 | \$ 1,213,632 |
| Interest on lease liabilities | 264,310 | 127,911 |
| Amortization of prepaid transaction costs | 167,892 | 136,725 |
| Finance expense | \$ 1,912,251 | \$ 1,478,268 |

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, 2023, the Company repurchased and cancelled a total of 1,278,500 shares at a cost of \$512,085 (2022 - 1,799,000 shares at a cost of \$714,614). 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 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.

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.

| Outstanding stock options December 31, 2023 | Number | Weighted average exercise price | Weighted average remaining contractual life (months) |
|---|------------------|------------------------------------|---|
| Stock options, beginning of year | 5,100,000 | \$ 0.45 | 35 |
| Stock options, end of year | 5,100,000 | \$ 0.45 | 23 |
| Exercisable stock options, December 31, 2023 | 1,841,667 | \$ 0.45 | 23 |

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

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:

| | 2022 |
|--------------------------|-----------|
| 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 \$351,272 for the year ended December 31, 2023 (2022 - \$102,140). The options vested equally over a three year period.

11. Earnings per share

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

| | 2023 | 2022 |
|--|-------------|-------------|
| Weighted average common shares outstanding - basic | 50,027,864 | 49,118,044 |
| Effect of stock options | 1,416,667 | - |
| Weighted average common shares - diluted | 51,444,531 | 49,118,044 |
| Net income and comprehensive income | \$6,169,904 | \$2,275,495 |
| Basic and diluted earnings per share | \$0.12 | \$0.05 |

12. 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.

| Years ended December 31, | 2023 | 2022 |
|--------------------------------|-----------|-------------|
| Management and consulting fees | \$797,629 | \$1,038,204 |

13. Supplemental cash flow information

| Years ended December 31, | 2023 | 2022 |
|---|-------------------|----------------------|
| (a) Changes in non-cash working capital: | | |
| Trade and other receivables | \$ 738,671 | \$(2,323,535) |
| Unbilled revenue | (149,212) | (11,162) |
| Inventories | 40,506 | (30,931) |
| Deposits and prepaid expenses | (776,075) | (284,179) |
| Trade and other payables | 331,581 | 381,745 |
| | \$ 185,471 | \$(2,268,062) |
| (b) Other non-cash transactions: | | |
| Purchases under lease liabilities | \$ 4,273,660 | \$ 791,804 |
| Amortization of prepaid borrowing costs | \$ 167,892 | \$ 136,726 |

(c) Cash taxes paid

Cash taxes paid for the year ended December 31, 2023, was \$nil (2022 - \$nil).

14. Post-reporting date events

- a) On February 6, 2024, the company entered into a construction contract to build a new facility in Fort St John, BC. The total cost of the project is an estimated \$5 million and the construction work commenced in February, 2024. The Company is in the process of obtaining a construction mortgage to cover the building costs of the contract. The facility is estimated to be completed by the end of 2024.
- b) 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.