



**Management's Discussion and Analysis**

**For the three month ended March 31, 2015 and 2014**



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

**For the three months ended March 31, 2015 and 2014**

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This Management Discussion and Analysis (MD&A) should be read in conjunction with the unaudited condensed interim consolidated financial statements and the notes contained therein of Enterprise Group, Inc. ("Enterprise" or the "Company") for the three months ended March 31, 2015. The Company prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The documents are available at [www.sedar.com](http://www.sedar.com) and at [www.enterprisegrp.ca](http://www.enterprisegrp.ca).

*This MD&A was prepared effective May 14, 2015.*

### **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 is a construction services company operating in the energy, utility and transportation infrastructure industries. The Corporation's focus is primarily underground construction and maintenance and specialty equipment rentals. With corporate headquarters in St. Albert, Alberta, Canada; a sales office in Calgary Alberta; and site offices in Sherwood Park, Morinville, Calgary, Edmonton, Rocky Mountain House, Drayton Valley, Hinton, Valleyview, and Grande Prairie, Alberta; Pouce Coupe, and Fort St. John, British Columbia, Enterprise is strategically located near its customers. The Corporation's strategy is to acquire complementary service companies in Western Canada, consolidating capital, management and human resources to support continued growth.

Enterprise's customers include some of Canada's largest energy producers, telecommunication providers, utility service providers and the federal and provincial governments of Canada.

### **Utility and Infrastructure Construction Services**

Enterprise provides directional drilling and installation of underground power, telecommunications and natural gas lines to the utility infrastructure segment. These activities are conducted from the Corporation's Sherwood Park, Alberta construction office which operates as T.C. Backhoe and Directional Drilling ("TC"), maintaining the namesake of a business unit that has provided services to customers since 1975. Customers include some of Canada's largest providers of telecommunications, cable television, electricity and natural gas services. In June 2013, Enterprise became engaged in the highly specialized trenchless solutions field through its acquisition of Calgary Tunnelling & Horizontal Augering Ltd. ("Calgary Tunnelling" or "CTHA"). Calgary Tunnelling was founded in 1984 and is a leader in this segment of the construction industry. This business unit utilizes a number of trenchless disciplines to complete projects efficiently and safely, including laser guided boring and augering, pipe ramming and pipe jacking/tunnel boring. In October 2014, Calgary Tunnelling became the only Canadian company able to offer the benefits of the Direct Pipe® System ("Direct Pipe"), a sophisticated hybrid tunnelling system incorporating the best features of both micro tunnelling and horizontal directional drilling ("HDD"). Calgary Tunnelling performs its services from the west coast through to central Canada across the energy, utility and infrastructure segments. Its clients range from Canada's largest rail companies and premier utility providers to leading infrastructure contractors and some of North America's largest pipeline companies.

### **Equipment Rental Services**

In September 2012, Enterprise expanded its equipment rental division by acquiring Artic Therm International Ltd. ("Artic Therm"). 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's principal office is located in Rocky Mountain House, Alberta where it operates from office and yard space used for storage of rental equipment as well as for manufacturing, repairs and maintenance of the equipment fleet. Hart services highly active plays of West Central Alberta and Northeast British Columbia, including Cardium, Duvernay, Montney and the Deep Basin from four service locations in Alberta (Drayton Valley, Valleyview, Grande Prairie and Hinton) and a fifth location in British Columbia (Pouce Coupe) where it maintains office and yard facilities.

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. Management expects that this acquisition will result in both revenue and cost synergies with Hart and further bolster the Equipment Rental Services segment. Furthermore, it is expected to provide the Company with a foothold in the important Fort St. John market and a platform from which to introduce the services of Enterprise's other divisions.

### **Seasonality of Operations**

Seasonal factors and unexpected weather patterns may lead to declines in activity levels and corresponding declines in the demand for the services of the Corporation.

The Corporation provides services to the oil and gas industry and infrastructure utility sectors. 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. Also, certain oil and gas producing areas are in locations that are only accessible during the winter months because the ground surrounding the drilling sites consists of swampy terrain. Consequently, transportation authorities enforce road bans that restrict movement of rigs and other heavy equipment, thereby reducing activity levels which have a significant impact on Hart's and Westar's utilization rates. The timing of these



road bans can vary depending upon weather patterns. In addition, Artic Therm's utilization rates are directly impacted to weather patterns with reduced utilization in warmer winters and higher utilization in colder winters.

Services provided by 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.

## HIGHLIGHTS

### Financials

Enterprise's revenues during the quarter were driven primarily by the Company's existing customer base, which continues to advance and complete projects during this period of economic uncertainty. In certain cases, Enterprise has temporarily discounted its regular rental rates in order maintain relationships with this customer base.

During the first quarter, Enterprise began streamlining its operations to both reduce costs and better align its resources with its anticipated second quarter workload. The Company is continually in contact with both new and existing customers in an effort to accurately assess not only the economic outlook for 2015, but also the likely level of demand for the Company's services. During the quarter, the Company reduced the head count in its Equipment Rental Services Division by approximately 25%. However, the impact of reduced workloads and discounted rates offset the benefits gained from cost reductions.

Management is pleased to have:

- Maintained relatively consistent revenue compared to prior period.
- Generated positive cash flow from operations of \$3,043,511.
- Serviced debt payments of \$2,385,431.

Consolidated:	Three months March 31, 2015	Three months March 31, 2014	Change
Revenue	\$20,195,634	\$21,107,305	(\$911,671)
Gross margin	\$5,618,557	\$8,547,165	(\$2,928,608)
Gross margin %	28%	40%	(12%)
EBITDA <sup>(1)</sup>	\$4,359,567	\$7,074,818	(\$2,694,919)
Income before tax	\$689,693	\$4,658,495	(\$3,968,802)
Net income	\$494,993	\$4,326,813	(\$3,831,820)
EPS	\$0.00	\$0.04	(\$0.04)
Total assets	\$160,535,376	\$131,378,174	\$29,157,202

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

Results for the quarter can be attributed to:

- \$8.2 million in revenue from the Utilities/Infrastructure Services division.
- \$12.0 million in revenue from the Equipment Rental Services division.
- Margin pressure in the Equipment Rental Services as a result of a challenging commodity price environment.
- Lower EBTIDA margins at the Utilities/Infrastructure Services division as a result of various project delays experienced by CTHA and additional costs associated with the direct pipe project.

## OUTLOOK

Demand for services provided by Enterprise's Utilities/Infrastructure Services division remains strong. Historically, the companies within this division have displayed little near-to-midterm sensitivity to commodity prices. As a result of this resilience, and given the operating environment witness thus far in 2015, management expects relative revenue stability in this division's revenue over the course of the year ahead.

In regards to the Equipment Rental Services Division, the decline in oil prices since the second half of 2014 has led to a meaningful change in the Company's operating environment. This change has taken place in spite of the relative economic resilience of the Company's operating markets, including well sites in the Duvernay, Cardium, and Montney formations. To protect established business relationships, Enterprise has implemented pricing reductions in-line with the pricing pressure seen across the energy services industry. Accordingly, Enterprise is seeing only a minimal reduced workflow at this division in the first half of 2015. However, the Company has less visibility regarding demand and revenues for this division's services during the second half of 2015, and its customers remain cautious. To address these challenges, the Company has reduced the head count of this division by approximately 25% since the beginning of 2015. Additionally, a number of senior management personnel at this division have accepted salary



reductions.

Management believes that the strength of Enterprise's balance sheet and the diversification of its revenue sources will allow the Company to effectively navigate an uncertain commodity price environment. Reflecting the Company's reduced visibility in the second half, management has deemed it prudent to adopt a more conservative approach to capital spending in 2015. This approach will allow the Company to not only maintain its financial flexibility, but also allow for opportunistic acquisition activity.

Management remains committed to the ongoing streamlining of all aspects of Enterprise's business, including operations, procedures, costs, and capital expenditures.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

	<b>Three months March 31, 2015</b>	Three months March 31, 2014	<b>Year ended December 31, 2014</b>	Year ended December 31, 2013	Year ended December 31, 2012
Revenue	<b>\$20,195,634</b>	\$21,107,305	<b>\$79,629,450</b>	\$34,849,266	\$18,504,028
EBITDA <sup>(1)</sup>	<b>\$4,359,567</b>	\$7,074,818	<b>\$20,245,679</b>	\$8,484,903	\$4,332,167
Income before income tax	<b>\$689,693</b>	\$4,658,495	<b>\$9,064,446</b>	\$5,020,985	\$2,138,922
Net income	<b>\$494,993</b>	\$4,326,813	<b>\$5,731,399</b>	\$5,782,426	\$2,488,588
Basic and diluted earnings per share	<b>\$0.00</b>	\$0.04	<b>\$0.04</b>	\$0.08	\$0.04
Weighted average common shares outstanding – basic	<b>146,364,051</b>	114,087,254	<b>138,401,957</b>	74,138,301	55,452,854
Weighted average common shares outstanding – diluted	<b>146,400,415</b>	116,848,691	<b>140,745,313</b>	75,752,942	56,186,187
Total common shares outstanding	<b>148,406,828</b>	144,862,874	<b>148,256,628</b>	87,881,002	56,933,363
Total assets	<b>\$160,535,376</b>	\$131,378,174	<b>\$165,101,322</b>	\$66,877,308	\$28,450,432
Total liabilities	<b>\$77,988,350</b>	\$54,784,510	<b>\$83,497,806</b>	\$37,332,012	\$16,424,719
Total equity	<b>\$82,547,026</b>	\$76,593,664	<b>\$81,603,516</b>	\$29,545,296	\$12,025,713

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



## OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

### Financial Highlights

Consolidated:	Three months March 31, 2015	Three months March 31, 2014	Change
Revenue	\$20,195,634	\$21,107,305	(\$911,671)
Gross margin	\$5,618,557	\$8,547,165	(\$2,928,608)
Gross margin %	28%	40%	(12%)
EBITDA <sup>(1)</sup>	\$4,359,567	\$7,074,818	(\$2,694,919)
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Net income	\$494,993	\$4,326,813	(\$3,831,820)
EPS	\$0.00	\$0.04	(\$0.04)
Total assets	\$160,535,376	\$131,378,174	\$29,157,202

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

Results for the quarter can be attributed to:

- \$8.2 million in revenue from the Utilities/Infrastructure Services division.
- \$12.0 million in revenue from the Equipment Rental Services division.

### Utilities/Infrastructure Services Division

Utilities/infrastructure construction:	Three months March 31, 2015	Three months March 31, 2014
Revenue	\$8,176,410	\$8,477,405
Decrease	(\$300,995)	
EBITDA <sup>(1)</sup>	\$1,107,264	\$2,367,758
Decrease	(\$1,260,494)	
Total Assets	\$55,359,744	\$37,067,489
Increase	\$18,292,255	

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

The Utilities/Infrastructure Services division includes operations for T.C. Backhoe & Directional Drilling Ltd. ("TCB") and Calgary Tunnelling & Horizontal Augering Ltd. ("CTHA"). Revenue for the quarter was relatively consistent compared to 2014, declining by \$300,995. During the quarter, the Company successfully began drilling under the Bow River in Calgary and completed the tunnelling portion of this project in early April. This marked the successful completion of the Company's first project with the Direct Pipe System, and as a result is expected to create an opportunity to pursue more substantial projects across Western Canada.

EBITDA of 14% for the quarter was lower year over year and did not meet management's expectations as a result of both various project delays experienced by CTHA and additional costs associated with the Direct Pipe project. These issues are not expected to impact the second quarter of 2015. TCB has also resolved various cost issues related to repairs and maintenance, fleet expansion and third party rentals. Management expects that the resolution of these issues will contribute to higher EBITDA going forward.



### Equipment Rental Services Division

	Three months March 31, 2015	Three months March 31, 2014
Equipment rental:		
Revenue	\$12,019,224	\$12,629,900
Decrease	(\$610,676)	
EBITDA <sup>(1)</sup>	\$4,526,628	\$5,875,401
Decrease	(\$1,348,773)	
Total Assets	\$88,649,021	\$57,593,387
Increase	\$31,055,634	

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

The Equipment Rental Services division includes operations for Artic Therm International Ltd., Hart Oilfield Rentals Ltd. and Westar Oilfield Rentals Ltd. Revenue for the quarter was relatively consistent compared to 2014, declining \$610,676. EBITDA was impacted by temporary rate discounts given to certain long term customers, the early arrival of spring break-up and road bans, and the generally warmer weather. The warmer weather had a pronounced impact on flameless heater rentals, which generate the highest margins in this division.

The Company has limited visibility regarding demand for this division's services during the second half of 2015, and its customers remain cautious. To address these challenges, the Company has reduced the head count of this division by approximately 25% since the beginning of 2015. Additionally, a number of senior management personnel at this division have accepted salary reductions.

### Selected Consolidated Expenses

	Three months March 31, 2015	Three months March 31, 2014
Selected Consolidated Expenses:		
General and administrative	\$1,247,879	\$1,146,346
Finance expense	\$903,577	\$598,795
Share based payments	\$411,027	\$244,388

#### General and administrative expenses

During the period, management reviewed and reclassified certain amounts related to direct expenses, finance expense and general and administrative expenses. As a result of this reclassification, general and administrative expenses include only head office charges.

As such, the comparative figures have been restated to reflect the basis of presentation adopted in the current period. These reclassifications resulted in an increase of \$1,982,270 in direct expenses, a decrease in general and administrative expenses of \$2,010,122 and an increase in finance expense of \$27,852 for the comparative period ended March 31, 2014.

The increase in general and administrative expenses is a result of growth in infrastructure to support the acquisitions of Hart and Westar and the additional assets acquired throughout 2014.

#### Finance expense

Finance expense includes interest charges on all outstanding debt including: the convertible debentures issued in 2013, the loan facility with PNC, finance leases and vendor take-back debt. The Company has utilized debt to support operations, fund capital expenditures and partially fund acquisitions as required. Over the period, total loans and borrowings have increased from \$55,059,538 to \$56,286,069, the loan facility with PNC increased from \$33,716,737 to \$35,540,831 and finance lease liabilities decreased from \$15,746,553 to \$15,189,859 from December 31, 2014.

#### Share-based payments

Share-based payments reflect the fair value of options issued. The increase from the prior year is from the vesting of options from prior issuances. The Company will continue to utilize stock options as part of a compensation package to help align the goals of Enterprise and staff.



## Cash Flow Information

A summary of cash flow information for the periods ended March 31, 2015, and 2014, is set out below:

Cash Flow Information	Three months March 31, 2015	Three months March 31, 2014
Net cash provided by operating activities	\$3,043,511	\$565,657
Net cash provided by (used in) financing activities	(1,361,944)	51,724,183
Net cash used in investing activities	(640,420)	(27,027,434)
Change in cash and cash equivalents	1,041,147	25,262,406
Cash and cash equivalents, beginning of year	9,888,351	4,568,288
Cash and cash equivalents, end of year	\$10,929,498	\$29,830,694

Operating activities provided net cash of \$3,043,511 compared to \$565,657 in the prior year. Net cash was partly offset by an increase in working capital requirements of \$1,300,994 which is consistent with higher activity normally experienced in the first quarter.

Net cash used in financing activities reflects the regular repayment of interest and principal on the Company's debt instruments. The Company made \$2,385,431 of debt payments during the quarter.

Net cash used by investing activities of \$640,420 reflects the net change in assets purchased, \$949,738, and disposed, \$309,318, for the quarter.

## Segmented Information

The Company operates in two main business segments in Western Canada. The business segments presented reflect the management structure of the Company and the fashion in which management reviews business performance. The accounting policies and practices of the reportable segments are the same as those described in the Company's Audited Consolidated Financial Statements for the fiscal year ended December 31, 2014.

Three months ended March 31	Utilities/infrastructure construction		Equipment rental		Corporate		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014
Revenue	\$8,176,410	\$8,477,405	\$12,019,224	\$12,629,900	\$nil	\$nil	\$20,195,634	\$21,107,305
EBITDA	\$1,107,264	\$2,367,758	\$4,526,628	\$5,875,401	(\$1,274,325)	(\$1,168,341)	\$4,359,567	\$7,074,818
Depreciation and amortization	\$620,496	\$459,311	\$1,686,082	\$973,180	\$6,728	\$4,779	\$2,313,306	\$1,437,270
Finance expense	\$391,947	\$281,143	\$441,634	\$275,927	\$69,996	\$41,725	\$903,577	\$598,795
Loss (gain) on sale of equipment	\$5,157	\$204,681	\$36,807	(\$68,811)	\$nil	\$nil	\$41,964	\$135,870
Share-based payments	\$nil	\$nil	\$nil	\$nil	\$411,027	\$244,388	\$411,027	\$244,388
Income (loss) before taxes	\$89,664	\$1,422,623	\$2,362,105	\$4,695,105	(\$1,762,076)	(\$1,459,233)	\$689,693	\$4,658,495
Total identifiable assets	\$55,359,744	\$37,067,488	\$88,649,021	\$57,593,387	\$16,526,611	\$36,717,298	\$160,535,376	\$131,378,174



## SUMMARY OF QUARTERLY RESULTS

	2015		2014				2013		
	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	
Revenue	\$20,195,634	\$25,667,320	\$18,785,208	\$14,069,617	\$21,107,305	\$11,111,993	\$10,007,253	\$4,825,639	
Net income (loss) for the period	\$494,993	(\$463,462)	\$1,538,087	\$329,959	\$4,326,813	\$210,330	\$3,948,137	\$(1,542,924)	
Earnings (loss) per share - Basic and Diluted	\$0.00	\$0.00	\$0.01	\$0.00	\$0.04	\$0.00	\$0.05	\$(0.02)	

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

## OUTSTANDING SHARE DATA

	May 11, 2015	March 31, 2015	December 31, 2014
Common shares outstanding	148,406,828	148,406,828	148,256,828
Stock options outstanding	14,210,000	14,210,000	14,360,000
Warrants outstanding	12,932,305	12,932,305	12,932,305
Total	175,549,133	175,549,133	175,549,133

The exercise of all outstanding warrants will generate a cash inflow of approximately \$12,870,000 for the Company.

## OFF-BALANCE SHEET ARRANGEMENTS

Enterprise enters into short-term and long-term operating leases with various vendors to provide office space and equipment in our normal course of operations. Our commitments under operating leases are disclosed in the table labeled “contractual obligations.” Enterprise does not have any other off-balance sheet arrangements as at March 31, 2015.

## RELATED PARTY TRANSACTIONS

The Company has entered into various transactions in the normal course of business with corporations controlled by officers and directors of the Company and corporations that have common ownership. These transactions were recorded at the exchange amount established and agreed to by the parties. Management and consulting fees were paid to companies controlled by Leonard Jaroszuk, President and Chief Executive Officer, and Doug Bachman, Chief Operating Officer as compensation for serving the Company in those roles.

	2015	2014
Management and consulting fees	\$192,597	\$179,652

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Management uses judgement in determining whether the lease is a finance lease arrangement that transfers

substantially all the risks and rewards of ownership. Management evaluates the lease terms and in some cases the lease transaction is not always conclusive in its classification as a finance lease.

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. Share-based payments

The Company estimates the fair value of stock option awards 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.

ii. 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. It is possible that future results could be materially affected by changes in the above factors.

iii. Investment property

The determination of the fair value of the investment property requires the use of estimates based on local market conditions existing at the reporting date. In arriving at estimates of market values, the Company uses an expert in order to apply market knowledge and professional judgement.

iv. Convertible debentures

The valuation of the liability and equity components of the convertible debenture requires the use of estimates in determining the fair value of the two components which include the interest rate that would be obtained on a similar instrument that is not convertible.

v. 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 and 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.

vi. 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 to sell 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. The value in use calculation is based on a discounted cash

flow model, which incorporated 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, and cash expenditures. Other significant estimates and assumptions include future estimates of capital expenditures and changes in future working capital requirements.

vii. Impairment of financial assets

At the end of each reporting period, management reviews the individual balances in accounts receivable and assesses their recoverability based on the aging of outstanding balances, historical bad debt experience, indicators of change in customer credit worthiness, and change in customer payment terms, to identify and determine the extent of impairment, if any.

viii. 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.

## **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 maximum exposure to credit risk at period-end is as follows:

The Company has trade receivables from customers in the utilities/infrastructure construction industry, as well as customers in the oil and gas industry. Credit risk is mitigated due to significant customers being large industry leaders and following a program of credit evaluation and limiting the amount of customer credit where deemed necessary. The Company monitors trade receivables monthly to identify any amounts which are past due and considers if they are impaired. This assessment is done on an invoice by invoice basis. Losses from trade accounts receivable have not historically been significant. As such the Company has recorded a provision of doubtful accounts at March 31, 2015 of \$264,260 (December 31, 2014 - \$300,419).

The majority of the accounts receivable relates to sub division underground utilities installation for large energy and utility providers and as such invoices outstanding over 90 days are not uncommon. Management is aware of uncollectible receivables in this category of \$nil (2014 - \$nil) as at March 31, 2015, which is included in the \$264,260 above (December 31, 2014 - \$300,419).



At March 31, 2015 \$5,139,000 or 35% of trade receivables were from three customers compared to \$6,330,000 or 33% from two customers as at December 31, 2014.

	<b>March 31, 2015</b>		December 31, 2014	
Current (less than 90 days)	\$	<b>14,214,556</b>	\$	19,196,611
Past due (more than 90 days)		<b>1,800,670</b>		1,319,678
<b>Total</b>	<b>\$</b>	<b>16,015,226</b>	<b>\$</b>	<b>20,516,289</b>

Included in trade receivables past due (more than 90 days) is \$133,716 (December 31, 2014 - \$193,000) of holdback receivables.

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations. On an ongoing basis the Company manages liquidity risk by maintaining adequate cash and cash equivalents balances and appropriately utilizing available lines of credit. Management believes that forecasted cash flows from operating activities, along with available lines of credit, will provide sufficient cash requirements to cover the Company's forecasted normal operating activities, commitments and capital expenditures.

The following are undiscounted contractual maturities of financial liabilities, excluding estimated interest and the impact of netting agreements at March 31, 2015:

<b>Contractual Obligations March 31, 2015</b>	<b>Total</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>After 5 years</b>
Trade and other payables	\$6,227,372	\$6,227,372	\$nil	\$nil	\$nil	\$nil	\$nil
Loans and borrowings	\$56,778,146	\$10,433,782	\$4,218,144	\$38,466,169	\$1,826,864	\$901,994	\$931,193
Operating lease commitments	\$4,295,792	\$1,276,904	\$1,166,629	\$942,376	\$673,898	\$235,985	\$nil
<b>Total contractual obligations</b>	<b>\$67,301,310</b>	<b>\$17,938,058</b>	<b>\$5,384,773</b>	<b>\$39,408,545</b>	<b>\$2,500,762</b>	<b>\$1,137,979</b>	<b>\$931,193</b>

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

### Market Risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of the financial instruments. Management has assessed the effect of a 1% interest rate increase or decrease in the prime lending rate at March 31, 2015 to impact the Company's annual interest expense by approximately \$372,761 (December 31, 2014 - \$350,000). The Company has not entered into any derivative agreements to mitigate this risk.

### Capital Management

The primary objective of capital management is to ensure the Company has sufficient capital to support its business and maximize shareholder value. The Company manages its capital in proportion to the risk of the underlying assets and makes adjustments in light of changes in economic conditions and risks. The Company's strategy remains unchanged from prior periods. Management considers its capital structure to include net debt and adjusted capital of the Company. Adjusted capital comprises all components of equity (share capital, contributed surplus, warrants, convertible debenture and deficit), other than amounts in accumulated other comprehensive income relating to the marketable securities. Included in net debt is the bank loan facility which requires the Company to maintain certain financial covenants. 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 March 31, 2015 the Company has met these objectives.



The Company's covenants are as follows:

	March 31, 2015	Minimum Required	December 31, 2014	Minimum Required
Fixed charge coverage ratio	1.61	To exceed 1.25	2.02	To exceed 1.25
Senior leverage ratio	2.41	Not to exceed 2.5	2.15	Not to exceed 2.5
Capital expenditure	\$2,363,000	Not to exceed \$6,000,000	\$22,995,000	Not to exceed \$25,000,000

As at March 31, 2015 the Company was in compliance with all financial covenants. The minimum covenants are noted in the table above. The Company monitors these requirements on an ongoing basis and reports on its compliance to its lender on a monthly basis.

### Financial Instruments and Business Risks

The Company classifies financial assets and liabilities as either available-for-sale, loans and receivables or other financial liabilities. The classification of a financial asset or liability is determined at the time of initial recognition. Financial instruments are initially recognized at fair value and are measured subsequently as described below. The Company does not enter into derivative contracts.

i. Loans and receivables

The Company's cash and cash equivalents, trade and other receivables, and deposits are classified as loans and receivables. Loans and receivables are subsequently measured at amortized cost using the effective interest method.

ii. Other financial liabilities

The Company's loans and borrowings and trade and other payables are classified as other financial liabilities. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

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

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

Level 2 - Fair value measurements are 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 the flameless heaters in warmer months.
- **Available workforce** – The ability to perform services is contingent upon sufficient and appropriately skilled staff being available. Obtaining personnel is crucial to the Company's ability to meet demand for its services.
- **Recession Risk** – Although the current economic environment is recovering from the recent recession, the recovery is still fragile. Should economic environment slide into a double dip recession, demand for the Company's services would be reduced and have a negative impact on revenues and earnings. This would result in the Company continuing to implement cost control measures and possibly expand its services into other industries in order to manage through the recession. Management has already implemented some cost cutting measures and is continuing to review other areas for possible cost savings.
- **Cyclical**ity – The Company has a significant portion of its revenues tied directly to oil and gas pipeline construction industry in Western Canada. These revenues are subject to any cyclical of the industry. To mitigate this risk the Company has diversified its revenue stream to include pipeline maintenance, transportation infrastructure, and directional drilling and installation of underground utility infrastructure, all of which are less seasonal than pipeline construction.
- **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.

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 what are typical risks for this industry and readers should carefully consider, among other things, the risks described herein and in the Company's Annual Information Form dated March 30, 2014.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS**

### **Management's Annual Report on Internal Control Over Financial Reporting**

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, and has designed internal controls to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management has used a recognized framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to evaluate the effectiveness of internal controls over financial reporting.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has evaluated the design and operation of the Company's internal control over financial reporting as of March 31, 2015, 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 Report on Disclosure Controls

As of March 31, 2015, 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 March 31, 2015.

### 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.

### EBITDA

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 and share-based payments. Management believes that EBITDA is a useful measure used by management when evaluating the Company's principal business activities.

Reconciliation of net income (loss) to EBITDA:

	Three months March 31, 2015	Three months March 31, 2014	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2012
Net income	\$494,993	\$4,326,813	\$5,731,399	\$5,782,426	\$2,488,588
Add:					
Interest	903,577	598,795	3,053,769	1,439,079	\$500,129
Income taxes (recovery)	194,700	331,682	3,333,047	(761,441)	(\$349,666)
Depreciation and amortization	2,313,306	1,437,270	7,148,460	2,671,257	\$1,464,411
Loss (gain) on disposal of property, plant and equipment	41,964	135,870	(452,479)	64,440	\$191,850
Fair value adjustments	Nil	Nil	(345,000)	(1,515,000)	\$(108,481)
Share-based payments	411,027	244,388	1,776,483	804,142	145,336
EBITDA	\$4,359,567	\$7,074,818	\$20,245,679	\$8,484,903	\$4,332,167



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## **CONCLUSION**

With the diversification of our services, streamlining of our operations, our cash management measures, and the acquisitions of ATI in 2012, CTHA in 2013, Hart in January 2014, and Westar in October 2014, management believes that the strength of Enterprise's balance sheet and the diversification of its revenue sources will allow the Company to effectively navigate a changing commodity price environment.

Management remains confident in its strategic and operational plans and has a seasoned leadership team to guide the Company. Enterprise is committed to the further expansion of its customer base throughout the Western Canadian provinces and strives to provide excellent customer service and is excited about its future prospects.

## **ADDITIONAL INFORMATION**

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

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

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

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

Warren Cabral, CA, Chief Financial Officer

Doug Bachman, Chief Operating Officer (retired March 2015)

John Pinsent, FCA, ICD.D., Director

Manu Sekhri, Director (resigned April 2015)

John Campbell, CA, CFA, CPA (Illinois), Director (appointed June 2014)

Neil Darling, Director (appointed April 2015)

## **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)