# ENTERPRISE OIL LIMITED

**Consolidated Interim Financial Statements**

**(Unaudited)**

**For The Six Month Period Ended March 31, 2006**

*(See Note 1)*

# ENTERPRISE OIL LIMITED

## National Instrument 51-102
## Continuous Disclosure Obligations

### Notice

Pursuant to Part 4.3 (3) of National Instrument 51-102, these unaudited consolidated interim financial statements of Enterprise Oil Limited for the six month period ended March 31, 2006 have not been reviewed by the Company’s auditors.

# ENTERPRISE OIL LIMITED
## Consolidated Interim Balance Sheet
## March 31, 2006

| As at | *March 31 2006 (Unaudited)* | *September 30 2005 (Audited)* |
|---|---|---|
| **ASSETS** | | |
| CURRENT | | |
| Cash and cash equivalents | **$ 4,600,000** | $ - |
| Accounts receivable | **10,698,131** | 621,460 |
| Work in progress | **1,629,352** | - |
| Prepaid expenses | **195,669** | 11,500 |
| | **17,123,152** | 632,960 |
| PROPERTY AND EQUIPMENT | **3,150,072** | 2,335,387 |
| GOODWILL | **574,533** | 574,533 |
| DEFERRED FINANCING AND ACQUISITION COSTS | **181,224** | 201,824 |
| | **$ 21,028,981** | $ 3,744,704 |
| **LIABILITIES** | | |
| CURRENT | | |
| Bank indebtedness | **$ 3,390,705** | $ 65,442 |
| Accounts payable | **2,567,630** | 201,521 |
| Income taxes payable | **1,356,910** | - |
| Current portion of long term debt | **754,541** | 441,788 |
| | **8,069,786** | 708,751 |
| LONG TERM DEBT | **1,103,198** | 1,013,265 |
| | **9,172,984** | 1,722,016 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital | **9,146,315** | 2,373,953 |
| Contributed surplus | **311,477** | 101,950 |
| Retained earnings (deficit) | **2,398,205** | (453,215) |
| | **11,855,997** | 2,022,688 |
| | **$ 21,028,981** | $ 3,744,704 |

On behalf of the Board:

*"Leonard D. Jaroszuk" Director*

*"Douglas C. Bachman" Director*

*See accompanying notes*

# ENTERPRISE OIL LIMITED

## Unaudited Consolidated Interim Statement of Profit (Loss)

## For The Six Month Period Ended March 31, 2006

| | ***Three Months – March 31*** | *Three Months – March 31* | ***Six Months – March 31*** | *Six Months – March 31* |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | ***(Unaudited)*** | *(Unaudited)* | ***(Unaudited)*** | *(Unaudited)* |
| **REVENUE** | **$ 14,323,496** | $ - | **$ 19,203,704** | $ - |
| DIRECT COSTS | | | | |
| Trades and sub-contracts | **4,392,032** | **-** | **5,719,826** | - |
| Direct wages | **3,179,031** | **-** | **4,390,415** | - |
| Supplies | **754,199** | **-** | **1,075,287** | - |
| Fuel and oil | **529,085** | **-** | **795,681** | - |
| Camp costs | **366,066** | **-** | **567,935** | - |
| Rentals | **510,140** | **-** | **650,833** | - |
| Repairs and maintenance | **336,373** | **-** | **476,706** | - |
| Freight in and duty | **26,200** | **-** | **44,663** | - |
| | **10,093,126** | **-** | **13,721,346** | - |
| GROSS PROFIT | **4,230,370** | **-** | **5,482,358** | - |
| **GENERAL AND ADMINISTRATIVE EXPENSES** ***(Schedule 1)*** | **884,106** | 16,811 | **1,282,202** | 45,448 |
| **PROFIT (LOSS) FROM OPERATIONS** | **3,346,264** | (16,811) | **4,200,156** | (45,448) |
| OTHER INCOME | **8,175** | 8,096 | **8,174** | 16,282 |
| **PROFIT (LOSS) BEFORE INCOME TAXES** | **3,354,439** | (8,715) | **4,208,330** | (29,166) |
| INCOME TAXES - CURRENT | **1,066,587** | **-** | **1,356,910** | - |
| **NET PROFIT (LOSS) FOR THE PERIOD** | **$ 2,287,852** | $ (8,715) | **$ 2,851,420** | $ (29,166) |
| **Basic and diluted earnings (loss) per share** | **$.130** | $.001 | **$ 0.188** | $ (0.003) |
| **Weighted average number of common shares** | **17,547,581** | 9,000,000 | **15,180,523** | 9,000,000 |

*See accompanying notes*

# ENTERPRISE OIL LIMITED

## Unaudited Consolidated Interim Statement of Retained Earnings (Deficit)

## For The Six Month Period Ended March 31, 2006

| | ***March 31 - 2006 (Unaudited)*** | *March 31 - 2005 (Unaudited)* |
|---|---|---|
| **DEFICIT - BEGINNING OF PERIOD** | **$ (453,215)** | $ (105,550) |
| Net profit (loss) for the period | **2,851,420** | (29,166) |
| **RETAINED EARNINGS (DEFICIT) – END OF PERIOD** | **$ 2,398,205** | $ (134,716) |

*See accompanying notes*

# ENTERPRISE OIL LIMITED

## Unaudited Consolidated Interim Statement of Cash Flow

## For The Six Month Period Ended March 31, 2006

| | ***Three Months - March 31*** **2006** ***(Unaudited)*** | *Three Months - March 31* 2005 *Unaudited)* | ***Six Months - March 31*** **2006** ***(Unaudited)*** | *Six Months - March 31* 2005 *(Unaudited)* |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| Net profit | **$ 2,287,852** | $ (8,715) | **$ 2,851,420** | $ (29,166) |
| Items not affecting cash: | | | | |
| Amortization | **238,495** | - | **424,128** | - |
| Stock-based compensation | **207,687** | - | **209,527** | - |
| | **2,734,033** | (8,715) | **3,485,075** | (29,166) |
| Changes in non-cash working capital: | | | | |
| Accounts receivable | **(6,098,284)** | (875) | **(10,076,671)** | (2,265) |
| Accounts payable | **1,746,913** | 12,758 | **2,366,109** | 19,957 |
| Income taxes payable | **1,066,587** | - | **1,356,910** | - |
| Work in progress | **(1,458,418)** | - | **(1,629,352)** | - |
| Prepaid expenses | **(133,590)** | - | **(184,169)** | - |
| | **(4,876,792)** | 11,883 | **(8,167,173)** | 17,692 |
| | **(2,142,758)** | 3,168 | **(4,682,098)** | (11,474) |
| **INVESTING ACTIVITIES** | | | | |
| Purchase of property and equipment | **(520,335)** | - | **(1,218,213)** | - |
| | **(520,335)** | - | **(1,218,213)** | |
| **FINANCING ACTIVITIES** | | | | |
| Proceeds from long-term bank financing | **120,000** | - | **552,857** | - |
| Net proceeds on issuance of share capital | **5,229,687** | - | **6,772,362** | - |
| Repayment of long-term debt | **(76,324)** | - | **(150,171)** | - |
| | **5,273,363** | - | **7,175,048** | - |
| **INCREASE (DECREASE) IN CASH FLOW** | **2,610,270** | 3,168 | **1274,737** | (11,474) |
| Cash (deficiency) - beginning of period | **(1,400,975)** | 1,640,588 | **(65,442)** | 1,655,230 |
| **CASH - END OF PERIOD** | **$ 1,209,295** | $ 1,643,756 | **$ 1,209,295** | $ 1,643,756 |
| **CASH FLOW SUPPLEMENTARY INFORMATION** | | | | |
| Interest paid | **$ 41,973** | $ 15 | **$ 64,886** | $ 30 |
| **CASH CONSISTS OF:** | | | | |
| Cash and cash equivalents | **$ 4,600,000** | $ 1,643,756 | **$ 4,600,000** | $ 1,643,756 |
| Bank indebtedness | **(3,390,705)** | - | **(3,390,705)** | - |
| | **$ 1,209,295** | $ 1,643,756 | **$ 1,209,295** | $ 1,643,756 |

*See accompanying notes*

1. NATURE OF OPERATIONS

Enterprise Oil Limited has changed its fiscal year end to September 30 from December 31. As a result, these unaudited consolidated interim financial statements are for the Company's six month period ended March 31, 2005.

These unaudited consolidated interim financial statements include the operations of Enterprise Oil Limited and its wholly owned subsidiary, operating as A & G Grant Construction.

Enterprise Oil Limited incorporated under the Business Corporations Act of Alberta on March 23, 2004 and is publicly traded on the TSX Venture Exchange under the symbol "EON".

On September 1, 2005, the Company completed an asset purchase agreement and began operations in pipeline construction and the provision of oilfield maintenance services. Prior to September 1, 2005, the Company's operations only consisted of identifying and evaluating an acquisition as a Capital Pool Corporation. After the asset purchase agreement was complete, the Company changed its fiscal year end to September 30 from December 31.

The Company purchased the shares of Trevor King Oilfield Services Ltd. ("TKO"), effective April 1, 2006. Further details are provided in note 12.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited consolidated interim financial statements have been prepared by management in accordance with the accounting policies described in the Company's audited consolidated financial statements for the period ended September 30, 2005. These unaudited consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the period ended September 30, 2005.

3. QUALIFYING TRANSACTION

The Company, through a wholly owned subsidiary, entered into an asset purchase agreement (the "Asset Purchase Agreement ") dated August 3, 2005 with A & G Grant Construction (1983) Inc. ("A & G"), an arm's length Alberta based private company involved in pipeline construction and the provision of oilfield maintenance services. Pursuant to the Asset Purchase Agreement, the Company agreed to purchase the business assets of A & G, other than real property. This transaction constituted became effective on August 24, 2005 and the acquisition has been included in the consolidated financial statements since that date.

A & G's pipeline construction business includes: low pressure gas tie-ins, insulated pipeline installation, cement-lined pipeline installation, fibreglass pipeline installation and water injection lines. A & G's oilfield maintenance services include tying in wellheads and repairs and maintenance to lines. The table below details the aggregate purchase price, net assets and goodwill related to the acquisition.

| | |
|---|---|
| **Net assets acquired:** | |
| Property and equipment | **$ 2,400,000** |
| Deferred financing and acquisition costs | **206,000** |
| Goodwill | **574,533** |
| | **$ 3,180,533** |

**Consideration given was comprised of the following:**

| | | |
|---|---|---|
| Cash | **$** | **2,550,000** |
| Shares issued (200,000 shares at $0.25 per share) | | **50,000** |
| Financing and acquisition costs | | **206,000** |
| Vendor debt | | **374,533** |
| | **$** | **3,180,533** |

Goodwill resulting from the acquisition is deductible for income tax purposes.

In exchange for providing a guarantee for the $1,100,000 bank loan required to complete the above acquisition, an officer and director of the Company received 600,000 common shares at a price of $0.25/share.

4. PROPERTY AND EQUIPMENT

| | Cost | Accumulated amortization | ***March 31*** **2006** **Net book value** | *September 30* 2005 Net book value |
|---|---|---|---|---|
| Construction equipment | $ 2,440,409 | $ 266,451 | **$ 2,173,958** | $ 1,596,476 |
| Automotive equipment | 1,035,601 | 131,601 | **904,000** | 732,040 |
| Office furniture and equipment | 50,305 | 2,748 | **47,557** | 6,871 |
| Leasehold improvements | 27,285 | 2,728 | **24,557** | - |
| | $ 3,553,600 | $ 403,528 | **$ 3,150,072** | $ 2,335,387 |

Amortization expense for the period is $403,528.

5. DEFERRED FINANCING AND ACQUISITION COSTS

| | ***March 31*** **2006** | *September 30* 2005 |
|---|---|---|
| Deferred financing and acquisition costs | **$ 206,000** | $ 206,000 |
| Accumulated amortization | **(24,776)** | (4,176) |
| | **$ 181,224** | $ 201,824 |

The deferred financing and acquisition costs attributed to the specific acquisition are deferred and amortized on a straight-line basis over 5 years.

6. BANK INDEBTEDNESS

A & G has a revolving line of credit, payable on demand, secured by a general security agreement covering all assets, including continuing guarantees and general security agreements from the Company and TKO. The line of credit bears interest at prime plus 0.625%. The maximum financing available against this line is the lessor of $2,500,000 ($3,500,000 during the period November 1 to April 30$^{th}$, annually) and 75% of eligible unencumbered accounts receivable as defined by the bank.

At March 31, 2006, A & G had drawn $588,624 against this line of credit (September 30, 2005 - nil).

Bank indebtedness includes cheques written and not cleared in excess of the bank balance.

7. LONG TERM DEBT

The Company has an evergreen line of credit to finance equipment purchased for A & G and TKO. The maximum financing available against this line is $1,500,000. This line of credit bears interest at prime plus 1.00% and is repayable in monthly blended payments over a term ranging from 24 to 60 months depending upon the age of the equipment financed. During the period, the Company used this line to finance $772,845 of equipment purchases. At March 31, 2006, the balance of draws against this line of credit was $504,764 (September 30, 2005 - nil).

The Company has a non-revolving term loan to finance the acquisition of A & G. The maximum financing available against this line is $978,442 and was fully drawn at March 31, 2006 (September 30, 2005 - $1,080,520). This line of credit bears interest at prime plus 1.00% and is repayable in monthly blended payments of $26,000 with the balance outstanding payable in full on August 31, 2009.

The Company has non-revolving term loan to finance the acquisition of TKO. The maximum financing available against this line is $2,500,000 and $nil was drawn at March 31, 2006 (September 30, 2005 - nil). This line of credit bears interest at prime plus 1.00% and is repayable in monthly blended payments of $59,000 with the balance outstanding payable in full on March 31, 2010.

The evergreen and non-revolving loans are secured by general security agreements, including a guarantee, postponement and assignment of claims from A & G and a guarantee limited to $750,000 from an officer and director of the Company.

The Company has vendor debt repayable in two installments of $200,000 each on the first and second anniversary date of the closing date of the qualifying transaction. The vendor debt is subordinated to bank debt and is secured by a general security agreement issued by A & G. The vendor debt is carried at a fair value of $374,533 (September 30, 2005 - $374,533) and bears interest at nil%.

8. RELATED PARTY TRANSACTION

During the period ended March 31, 2006, the Company paid $20,000 (2005 - nil) in rent to a company controlled by a director of the Company. This transaction is recorded at the amount established and agreed to by the parties.

During this period, the Company paid $54,000 (2005 - nil) for management services to a company controlled by an officer and director of the Company.

## 9. SHARE CAPITAL

Authorized:

| | |
|---|---|
| Unlimited | Class "A" voting shares |
| Unlimited | Preferred shares, issuable in series, terms to be set at time of issuance |

| | | *March 31* **2006** | *September 30* 2005 |
|---|---|---|---|
| Issued: | | | |
| 21,057,000 | Common shares | **$ 9,146,315** | $ 2,373,953 |

| | *March 31* **2006** | | *September 30* 2005 | |
|---|---|---|---|---|
| | **Shares** | **Amount** | Shares | Amount |
| Shares outstanding at the beginning of the period | **11,841,200** | **$ 2,373,953** | 9,000,000 | $ 1,663,653 |
| Shares issued as consideration for qualifying transaction | **-** | **-** | 200,000 | 50,000 |
| Shares issued as consideration for loan guarantee | **-** | **-** | 600,000 | 150,000 |
| Exercise of broker options | **544,200** | **156,750** | 41,200 | 10,300 |
| Exercise of warrants | **783,000** | **326,450** | - | - |
| Exercise of stock options | **100,000** | **25,000** | - | - |
| Private placements for cash | **7,788,600** | **6,767,460** | 2,000,000 | 500,000 |
| Less share issuance costs | **-** | **(503,298)** | - | - |
| Shares outstanding at the end of the period | **21,057,000** | **$ 9,146,315** | 11,841,200 | $ 2,373,953 |

Private placements

During the period ended March 31, 2006, the Company completed the private placement of 3,000,000 common shares at $.50 per share and 4,788,600 common shares at $1.10 per common shares (2005 – 2,000,000 common shares at $.25 per share). Each placement carried warrants for the purchase of an equal number of common shares. The placement at $.50 per share carried warrants at $.75 expiring on November 21, 2006 and December 23, 2006 (2005 - $.35 per share expiring on September 30, 2006). The placement at $1.10 per share carried warrants at $1.50 expiring on February 22, 2007.

Escrowed shares

As at March 31, 2006, the Company's transfer agent held 1,900,000 (September 30, 2005 - 3,800,000) common shares subject to a TSX Venture Exchange escrow agreement. These shares will be automatically released over time through to March 2007.

## 10. STOCK BASED COMPENSATION

During the period ended March 31, 2006, the Company granted 80,000 broker options with an exercise price of $0.75/share and 478,860 broker options with an exercise price of $1.10. These broker options expire December 23, 2006 and August 22, 2007, respectively. The fair value of these broker options of $150,100 was recognized as an expense and credited to contributed surplus for the period. The Company used the Black-Scholes option pricing model to estimate the fair value of these options using an estimated risk free interest rate of 2.78% and 2.18%, respectively, an expected life of one year and one and one-half years, respectively, and expected volatility of 20%.

During the period ended March 31, 2006, the Company granted 525,000 stock options with an exercise price of $0.72/share. These options were granted to employees and directors of the Company. The fair value of these stock options of $148,260 was recognized as an expense and credited to contributed surplus for the period. The Company used the Black-Scholes option pricing model to estimate the fair value of these options using an estimated risk free interest rate of 2.78%, an expected life of five years, and expected volatility of 20%.

Outstanding Share Purchase Warrants

As at March 31, 2006, the Company had 9,005,600 share purchase warrants outstanding (September 30, 2005 – nil) with a weighted average exercise price of $1.09/share. These warrants expire as follows: 1,348,000 on September 30, 2006, 1,869,000 on November 21, 2006, 1,000,000 on December 23, 2006 and 4,788,600 on February 22, 2007.

Outstanding Stock Options

As at March 31, 2006, the Company had:

1. 1,405,000 (September 30, 2005 – 980,000) outstanding stock options with a weighted average exercise price of $0.43/share. All 1,405,000 stock options are exercisable; plus

2. 539,460 (September 30, 2005 – 558,800) outstanding broker options with a weighted average exercise price of $1.01/share. During the period 524,860 broker options were granted (478,860 carry a warrant to purchase one common share at $1.50) and 544,200 broker options were exercised.

## 11. COMMITMENTS

The Company has lease commitments for office rent of $16,523 and $13,849 per annum, commencing October 1, 2005 and May 1, 2006, respectively. The commitments expire on September 30, 2010 and October 30, 2010, respectively, and increase during the lease term to $18,589 per annum and $15,581 per annum, respectively.

## 12. SUBSEQUENT EVENT

On April 3, 2006, the Company announced that it closed the acquisition of the shares of TKO, an arm's length Alberta based private company, effective April 1 2006. TKO provides pipeline construction and oilfield maintenance services in east central Alberta.

The purchase price consisted of cash of $4,600,000, vendor debt of $400,000 and the issuance of 1,000,000 common shares of the Company. On March 31, 2006, $4,600,000 of cash was in trust to close the acquisition.

The Company has arranged a revolving line of credit for TKO. The line is payable on demand, secured by a general security agreement covering all assets, including continuing guarantees and general security agreements from the Company and A & G. The line of credit bears interest at prime plus 0.625%. The maximum financing available against this line is the lessor of $3,000,000 and 75% of eligible unencumbered accounts receivable as defined by the bank.

13. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current period's presentation.

# ENTERPRISE OIL LIMITED

***(Schedule 1)***

**Unaudited Consolidated General and Administrative Expenses**

**For The Six Month Period Ended March 31, 2006**

| | ***Three Months - March 31 2006 (Unaudited)*** | *Three Months - March 31 2005 (Unaudited)* | ***Six Months - March 31 2006 (Unaudited)*** | *Six Months - March 31 2005 (Unaudited)* |
|---|---|---|---|---|
| **GENERAL AND ADMINISTRATIVE EXPENSES** | | | | |
| Professional fees | **$ 53,453** | $ 8,077 | **$ 141,872** | $ 24,378 |
| Management fees | **54,000** | **-** | **94,500** | - |
| Office and general | **267,375** | 8,719 | **317,057** | 21,040 |
| Interest on long term debt | **16,587** | **-** | **39,500** | - |
| Rent | **1,622** | **-** | **6,885** | - |
| Stock-based compensation | **207,687** | **-** | **209,527** | - |
| Interest and bank charges | **44,887** | 15 | **48,733** | 30 |
| Amortization of intangible assets | **10,300** | **-** | **20,600** | - |
| Amortization | **228,195** | **-** | **403,528** | **-** |
| | **884,106** | 16,811 | **$1,282,202** | 45,448 |