Consolidated Financial Statements

Years ended December 31, 2010 and 2009

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of Enterprise Oilfield Group, Inc.

The management of Enterprise Oilfield Group, Inc. prepared these consolidated financial statements and is responsible for their reliability, completeness and integrity. They conform in all material aspects to Canadian generally accepted accounting principles.

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 Board of Directors, 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 before recommending their approval to the Board of Directors.

St. Albert, Alberta
March 30, 2011

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

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March 31, 2011

Independent Auditor's Report

To the Shareholders of
Enterprise Oilfield Group, Inc.

We have audited the accompanying consolidated financial statements of Enterprise Oilfield Group, Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2010 and December 31, 2009 and the consolidated statements of loss and deficit, comprehensive loss, accumulated other comprehensive income (loss) and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Enterprise Oilfield Group, Inc. as at December 31, 2010 and December 31, 2009 and the results of their operations and their cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter
Without qualifying our opinion, we draw attention to note 2 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern.

(**Signed) "PricewaterhouseCoopers LLP"**

Chartered Accountants

ENTERPRISE OILFIELD GROUP, INC.

Consolidated Balance Sheets

As at December 31		2010		2009
Assets				
Current				
Cash and cash equivalents (note 4)	$	**392,032**	$	1,667,547
Accounts receivable (note 16)		**2,729,006**		4,011,810
Unbilled revenue		**196,320**		-
Inventories (note 5)		**714,846**		706,155
Prepaid expenses		**216,030**		357,442
		4,248,234		6,742,954
Property, plant and equipment (note 6)		**8,843,743**		10,493,416
Intangible assets (note 7)		**909,375**		1,054,875
Portfolio investment (note 8)		**40,000**		32,000
Future income taxes (note 11)		**-**		2,256,700
	$	**14,041,352**	$	20,579,945
Liabilities and Shareholders' Equity				
Current				
Bank indebtedness (note 9)	$	**-**	$	3,363,530
Accounts payable and accrued liabilities		**1,265,155**		2,277,882
Term loan facility (note 9)		**3,599,023**		-
Loans payable (note 10)		**1,048,482**		-
Current portion of long-term debt (note 9)		**229,596**		2,205,801
		6,142,256		7,847,213
Long-term debt (note 9)		**828,655**		116,440
		6,970,911		7,963,653
Shareholders' equity				
Share capital (note 12 (a))		**24,945,961**		24,945,961
Warrants (note 12 (e))		**47,796**		78,009
Contributed surplus (note 13)		**1,637,866**		1,364,017
Deficit		**(19,569,182)**		(13,771,695)
Accumulated other comprehensive income		**8,000**		-
		7,070,441		12,616,292
	$	**14,041,352**	$	20,579,945

Going concern (note 2)

Commitments (note 15)

Approved on behalf of the Board:

(Signed) "Leonard D. Jaroszuk", Director

(Signed) "J.P. Stout", Director

ENTERPRISE OILFIELD GROUP, INC.

Consolidated Statements of Loss and Deficit

Years ended December 31		2010		2009
Revenue	$	**15,623,488**	$	27,699,442
Direct expenses		**13,833,129**		25,564,225
Gross margin		**1,790,359**		2,135,217
Expenses (other income)				
General and administrative		**2,891,251**		3,782,484
Interest (note 9 (e))		**645,543**		528,577
Amortization		**1,647,335**		1,845,808
Loss on sale of equipment		**171,029**		1,748,154
Interest and other (income) loss		**(24,012)**		43,492
		5,331,146		7,948,515
Loss before income taxes		**(3,540,787)**		(5,813,298)
Income taxes (recovery)				
Current		**-**		632
Future (note 11)		**2,256,700**		(1,286,100)
		2,256,700		(1,285,468)
Net loss for the year		**(5,797,487)**		(4,527,830)
Deficit, beginning of year		**(13,771,695)**		(9,243,865)
Deficit, end of year	$	**(19,569,182)**	$	(13,771,695)
Basic and diluted loss per share	**$**	**(0.12)**	**$**	**(0.11)**
Weighted average number of basic and diluted common shares outstanding:				
		48,681,700		42,192,604

ENTERPRISE OILFIELD GROUP, INC.

Consolidated Statements of Comprehensive Loss

Years ended December 31		2010		2009
Net loss for the year	**$**	**(5,797,487)**	$	(4,527,830)
Other comprehensive income:				
Unrealized gains on portfolio investment,		**8,000**		1,680
Transfer of losses on portfolio investment, net of future income tax to net income of $11,680		**-**		52,320
Total comprehensive loss, end of year	**$**	**(5,789,487)**	$	(4,473,830)

ENTERPRISE OILFIELD GROUP, INC.

Consolidated Statements of Accumulated Other Comprehensive Income (Loss)

Years ended December 31		2010		2009
Accumulated other comprehensive (loss), beginning of year	**$**	**-**	$	(54,000)
Other comprehensive income for the year:		**8,000**		54,000
Accumulated other comprehensive income, end of year	**$**	**8,000**	$	-

ENTERPRISE OILFIELD GROUP, INC.

Consolidated Statements of Cash Flows

Years ended December 31		2010		2009
Cash provided by (used for) the following:				
Operating activities				
Net loss for the year	**$**	**(5,797,487)**	$	(4,527,830)
Items not affecting cash:				
Amortization of property, plant and equipment		**1,501,835**		1,700,308
Amortization of intangible assets		**145,500**		145,500
Loss on sale of equipment		**171,029**		1,748,154
Stock-based compensation		**243,636**		229,090
Future income tax expense (recovery)		**2,256,700**		(1,286,100)
Unrealized loss on available for sale portfolio investment, net of future income tax		**-**		50,000
		(1,478,787)		(1,940,878)
Changes in non-cash working capital (note 20)		**206,478**		7,480,864
		(1,272,309)		5,539,986
Financing activities				
Repayment of bank indebtedness		**(3,363,530)**		(3,163,370)
Proceeds from term loan facility		**3,599,023**		-
Proceeds from loans payable		**1,048,482**		-
Proceeds from long-term debt		**1,279,001**		1,177,139
Share issue costs		**-**		973,500
Share repurchase		**-**		(18,912)
Financing costs		**(27,961)**		-
Repayment of long-term debt		**(2,515,030)**		(4,311,494)
		19,985		(5,343,137)
Investing activities				
Purchase of property, plant and equipment		**(882,821)**		(1,032,874)
Proceeds on sale of equipment		**859,630**		1,896,286
		(23,191)		863,412
(Decrease) increase in cash and cash equivalents		**(1,275,515)**		1,060,261
Cash and cash equivalents, beginning of year		**1,667,547**		607,286
Cash and cash equivalents, end of year	**$**	**392,032**	$	1,667,547
Supplementary information				
Interest paid	**$**	**597,503**	$	528,577
Income taxes received		**-**		140,754

1. Nature of operations

Enterprise Oilfield Group, Inc. ("Enterprise" or the "Company") was incorporated under the *Alberta Business Corporations Act* on March 23, 2004 and is publicly traded on the TSX Exchange under the symbol "E", effective August 13, 2007. The Company is a construction services company operating in the energy, utility and transportation infrastructure industry. The Company's focus is primarily directional drilling, installation and maintenance of underground utilities, along with pipeline and facilities construction and maintenance in the energy sector

A significant portion of the Company's operations relate to energy production customers in Alberta. The Company's earnings follow the seasonal pattern of Alberta's oil and gas exploration industry whereby activity peaks in the winter months and declines during the spring thaw. During spring thaw roads become incapable of supporting the heavy equipment needed to drill and tie-in oil and gas wells. As a result, demand for these types of services generally is the highest in the fall and winter quarters and the lowest in the spring quarter.

Services provided to utility and telecommunication customers are provided more evenly throughout the year but the spring quarter is also the slowest quarter of the year.

2. Going concern uncertainty

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis which contemplate that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments as they become due in the normal course of business.

Over the past two fiscal years, the Company has experienced net losses and negative cash flows from operations before changes in working capital. The Company has incurred a net loss of $5,797,487 in 2010 and a net loss of $4,527,830 in 2009 and incurred net cash outflows from operations before changes in working capital of $1,478,787 in 2010 and $1,940,878 in 2009. At December 31, 2010, the Company had a working capital deficit of $1,894,022.

The working capital deficit and annual operating losses over the past two fiscal years and uncertainty relating to the pipeline and facilities construction and maintenance activity, create significant uncertainty as to the ability of the Company to continue as a going concern. The Company's ability to continue as a going concern is dependent on its ability to generate positive cash flow and sustained profitability from operations going forward.

In addition to its ongoing working capital requirements, the Company must secure sufficient funding for existing commitments including a term facility maturing November 23, 2011 and a mortgage maturing December 31, 2011 (note 9).

In recognition of these circumstances, the Company has secured a bank revolving line of credit of $1,000,000 subsequent to year end. This undertaking, while significant, is not sufficient in itself to enable the Company to fund all aspects of its operations and accordingly, management is continuing to dispose of underutilized assets, streamline operations, actively seek merger opportunities and is pursuing other financing alternatives to fund the Company's operations so it can continue as a going concern. Management plans to secure necessary financing through the issue of new equity and/or debt instruments. Nevertheless, there is no assurance that these initiatives will be successful.

Accordingly, these financial statements do not reflect any adjustments to the carrying values of the assets and liabilities and in the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

3. Significant accounting policies

Basis of consolidation and preparation of consolidated financial statements

These consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada ("Canadian GAAP").

Included in these consolidated financial statements are the accounts of Enterprise Oilfield Group, Inc. and its wholly-owned subsidiaries: Enterprise Energy Services Inc. ("EES") and Enterprise Pipeline Company Inc. ("EPC"). All significant inter-entity balances and transactions have been eliminated on consolidation.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. The principal financial statement components containing significant estimates include property, plant and equipment (note 6), intangible assets (note 7), future income taxes (note 11), the allowance for doubtful accounts (note 16) and stock-based compensation (note 12d). Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include balances with Canadian chartered banks and short-term investments with maturities of three months or less at acquisition.

Inventories

Inventories of supplies and parts are valued at the lower of cost and net realizable value.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Property, plant and equipment, net of salvage values where applicable, are amortized over their estimated useful lives using the straight line method at the following rates, commencing the month of acquisition:

Buildings	25 years
Computers and communication equipment	4 years
Office furniture and equipment	5 years
Small tools and equipment	5 years
Light automotive equipment	5 years
Heavy automotive equipment	10 years
Construction equipment	10 years

Leasehold improvements are amortized over the remaining term of the lease.

Impairment of long-lived assets

Long-lived assets consist of property, plant and equipment and intangible assets. The Company performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. An impairment is recognized when the carrying value of an asset exceeds the total undiscounted cash flows expected from its use and eventual disposition. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in the consolidated statement of income in the period when the impairment is determined.

Intangible assets

Customer relationships are recorded at cost and amortized on a straight line basis over their estimated life of ten years.

Future income taxes

The Company follows the asset and liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recorded based on temporary differences between the financial reporting and tax basis of assets and liabilities and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to be settled or recovered. A valuation allowance is recorded for the portion of the future tax assets for which the realization of any value does not meet the “more likely than not” test.

Stock-based compensation

The Company uses the fair value method, whereby compensation cost is charged directly to earnings for all stock-based awards granted. The Company determines the fair value of the stock options, using the Black-Scholes option-pricing model. The expense is determined on the grant date and recognized in income over the vesting period of the option, with a corresponding increase to contributed surplus in shareholders’ equity. When stock options are exercised, the proceeds, together with the amount previously recognized in contributed surplus, are recorded in share capital. The Company accounts for forfeitures in the period that they occur. This may result in a reduction of stock-based compensation expense. Awards of warrants to agents result in share issue costs and a credit to the warrants account when the warrants are issued. Any compensation paid on exercise of the warrants is credited to share capital.

Earnings per share

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated using the “treasury stock method”, which assumes that all outstanding share options and share purchase warrants are exercised, if dilutive, and the assumed proceeds from the exercise of share options and share purchase warrants that are in the money are used to purchase the Company’s common shares at the average market price during the period.

Revenue recognition

The Company performs the majority of its projects under unit price, cost plus or fixed price contracts. Revenues from short-term contracts are recognized as the work is performed and related costs incurred provided all significant obligations have been satisfied and collection is reasonably assured. Revenues from long-term service contracts are recognized using the percentage-of-completion method based on the percentage of total costs incurred to total expected costs. If the current estimated costs to complete indicate a loss on a contract, the loss is recognized immediately. Revisions in costs, and earnings or loss estimates during the course of the contract, are reflected during the accounting period in which the facts that cause the revision become known. Unbilled revenue represents the excess of revenue earned under the percentage of completion method over billings rendered.

Financial instruments

A financial instrument is any contract that creates a financial asset of one entity and a financial liability or equity instrument to the other entity. Financial instruments are measured at fair value at initial recognition and are classified as one of the following: held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities.

Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in net earnings during the period they occur. Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses, net of tax, recognized in other comprehensive income/loss until the asset is sold, or if an unrealized loss is considered other than temporary, the unrealized loss is recognized in net earnings during the period it is considered other than temporary. Financial assets classified as held to-maturity, loans and receivables, and financial liabilities classified as other liabilities are measured at amortized cost using the effective interest rate method. Transaction costs directly attributable to the acquisition or issue of a financial asset or liability are added to their fair value and accounted for using the effective interest rate method.

The Company has designated its financial instruments as follows:

Financial Instrument	Category	Measurement
Cash and cash equivalents	Held-for-trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Portfolio investment	Available for sale	Fair value
Bank indebtedness	Held-for-trading	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Term loan facility	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost

The fair value measurement disclosures include classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

• Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

• Level 2: Valuations based on inputs other that quoted prices that are observable for the asset or liability either directly or indirectly; and

• Level 3: Valuations based on significant inputs that are not derived from observable market data.

4. Cash and cash equivalents

Cash includes $50,000 held in a term deposit that is held as collateral for credit card accounts. The term deposit bears interest at 0.15% and matures on January 29, 2011 (December 31, 2009 - $454,200 bore interest at 0.24% and matured on January 29, 2010).

5. Inventories

	2010	2009
Supplies and parts	**$ 714,846**	$ 706,155

Inventories of supplies and parts expensed in direct expenses during the year ended December 31, 2010 is $1,926,247 (2009 - $3,504,314).

6. Property, plant and equipment

	Cost	Accumulated amortization	**Net book value 2010**
Land	$ 250,000	$ -	**$ 250,000**
Buildings	679,977	96,416	**583,561**
Leasehold improvements	115,885	107,673	**8,212**
Computers and communication equipment	127,363	113,597	**13,766**
Office furniture and equipment	360,967	268,530	**92,437**
Small tools and equipment	869,780	580,663	**289,117**
Light automotive equipment	1,819,111	1,440,015	**379,096**
Heavy automotive equipment	4,291,774	1,796,093	**2,495,681**
Construction equipment	6,464,577	1,732,704	**4,731,873**
	$ 14,979,434	**$ 6,135,691**	**$ 8,843,743**

	Cost	Accumulated amortization	Net book value 2009
Land	$ 250,000	$ -	$ 250,000
Buildings	590,766	69,456	521,310
Leasehold improvements	115,886	81,447	34,439
Computers and communication equipment	126,558	91,934	34,624
Office furniture and equipment	360,690	194,789	165,901
Small tools and equipment	832,747	412,559	420,188
Light automotive equipment	1,904,960	1,213,593	691,367
Heavy automotive equipment	4,514,796	1,465,067	3,049,729
Construction equipment	6,859,399	1,533,541	5,325,858
	$ 15,555,802	$ 5,062,386	$ 10,493,416

7. Intangible assets

	Cost	Accumulated amortization	**Net book value 2010**
Customer relationships	1,455,000	545,625	**909,375**

	Cost	Accumulated amortization	Net book value 2009
Customer relationships	1,455,000	400,125	1,054,875

8. Portfolio investment

	2010		2009	
	Cost	**Market**	Cost	Market
Samoth Oilfield Inc.				
400,000 common shares	**$100,000**	**$40,000**	$100,000	$32,000

The Company has invested $100,000 in 400,000 common shares of Samoth Oilfield Inc. ("Samoth"), a public company, incorporated May 8, 2006. Samoth is controlled by a director and an officer of Enterprise.

The portfolio investment is classified as available-for-sale. At December 31, 2010, the Company adjusted the carrying value of its investment in Samoth, to its market value of $0.10 per share resulting in in an unrealized gain in other comprehensive income of $8,000. The Company recognized an other than temporary loss on its portfolio investment of $nil during the current year (2009 - ($54,000)). The Company's investment in Samoth is classified as a Level 2 financial instrument as it is not actively traded.

9. Bank indebtedness and long-term debt

Summary	**Note**	**2010**	2009
Current debt:			
Bank indebtedness	**(a)**	**$ -**	$ 3,363,530
Term loan facility	**(b)**	**3,599,023**	-
		3,599,023	3,363,530
Long-term debt:			
Mortgage facility	**(c)**	**531,039**	-
Equipment and automotive loans	**(d)**	**527,212**	391,290
Capital line	**(b)**	**-**	1,518,647
Mortgage facilities	**(c)**	**-**	412,304
		1,058,251	2,322,241
Less: current portion of long-term debt		**(229,596)**	(2,205,801)
Long-term portion		**$ 828,655**	$ 116,440

Principal repayment requirements on the long-term debt for the next five years based on the Company's current repayment schedule are estimated as follows:

2011	**2012**	**2013**	**2014**	**2015**	**Total**
$ 229,596	**$ 737,726**	**$ 45,075**	**$ 33,183**	**$ 12,671**	**$ 1,058,251**

In November 2010, the Company entered into a new term loan facility and mortgage facility. Proceeds from these financings and advances from various lenders (note 10) were used to repay the lines of credit, capital line and mortgage facilities in place at December 31, 2009.

(a) Bank indebtedness

The revolving line of credit was repaid in full as at December 31, 2010.

At December 31, 2009, the Company's bank indebtedness consisted of bank overdraft balances of $98,530 and advances on a revolving line of credit of $3,265,000. The line of credit bore interest at the Company's bank prime rate plus 3.00% (5.25% at December 31, 2009).

9. Bank indebtedness and long-term debt continued:

(b) Term loan facility

The non-revolving term loan facility bears interest at the rate of 24% per annum and is repayable in monthly installments of interest only to February 28, 2011. Commencing March 31, 2011 the facility is repayable in monthly installments of interest plus principal in the amount of $83,333 until fully repaid.

The term loan facility can be fully repaid without penalty at any time after three months and matures on November 23, 2011.

A general security agreement providing a first charge over all present and after acquired property of the Company and an assignment of insurance have been provided as collateral for the term loan facility

As at December 31, 2010, $3,738,500 remains outstanding less transaction costs of $139,477.

The Company is in compliance with the terms of the loan at December 31, 2010.

The capital line at December 31, 2009 in the amount of $1,518,647 bore interest at the Company's bank prime rate plus 3.50% (5.75% at December 31, 2009) and was repayable in monthly installments of $66,400 principal and interest.

(c) Mortgage facility

Effective December 1, 2010 the Company refinanced its mortgages. The new facility in the amount of $559,000 bears interest at 10.25% per annum and is repayable in monthly installments of interest only in the amount of $4,775. The principal is due January 1, 2012.

A mortgage over specific land and buildings with a net book value of $616,099 has been pledged as collateral.

As at December 31, 2010, $559,000 of the original mortgage remains outstanding less transaction costs of $27,961.

Mortgages in place at December 31, 2009 bore interest at 3.4% per annum and were repayable in monthly installments of $4,875, principal and interest.

(d) Equipment and automotive loans

The Company financed specific automotive and construction equipment with a total balance of $527,212 as at December 31, 2010 (December 31, 2009 - $391,290) bearing interest from 0% to 9.98%, with cumulative monthly payments of $36,440 - maturing June 2015. Specific construction, automotive and other equipment with a net book value of $738,887 has been pledged as collateral.

Included in equipment and equipment loans for the year ended December 31, 2010, are $119,969 (2009 - $43,727) of capital lease obligations.

(e) Interest

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

		2010		2009
Current debt	**$**	**343,371**	$	364,758
Long-term debt		**240,797**		163,819
Loans payable		**61,375**		-
	$	**645,543**	$	528,577

10. Loans Payable

At December 31, 2010, the Company has the following loans payable:

• $400,000 of unsecured advances due to an unrelated party. The advances are due on demand and non-interest bearing. The Company repaid $200,000 of the advances subsequent to December 31, 2010. Transaction fees in the amount of $75,000 incurred in connection with the advances were expensed during the year.

• $275,000 unsecured demand loan, bearing interest at 12% per annum due to a related company which is controlled by a director and an officer of the Company.

• $250,000 unsecured demand loan, bearing interest at 16% per annum due to a related company which is controlled by a member of management of the Company.

• $80,000 unsecured demand loan, bearing interest at 10% per annum due to a related party which is controlled by a director and officer of the Company.

During the year ended December 31, 2010, the Company incurred interest expense in the amount of $61,375 on the loans to related parties of which, $43,482 is outstanding and included in loans payable at December 31, 2010.

11. Income taxes

The provision for income taxes recorded in the consolidated audited financial statements differs from the amount which would be obtained by applying the combined statutory income tax rate of approximately 28% (2009 - 29%) to the loss before income taxes for the period as follows:

		2010		2009
Current income tax rates		**28%**		29%
Expected income tax (recovery)	**$**	**(991,420)**	$	(1,685,856)
Increase in taxes resulting from:				
Stock-based compensation		**68,218**		66,436
Impact of substantively enacted rates		**122,779**		254,283
Non-deductible goodwill write-down		**-**		-
Non-taxable items and other		**(11,777)**		79,669
Change in valuation allowance		**3,068,900**		-
Actual income tax (recovery)	**$**	**2,256,700**	$	(1,285,468)

11. Income taxes continued:

The components of the future income tax asset are as follows:

	2010	2009
Property, plant and equipment	$ 796,600	$ 755,500
Goodwill and customer relationships	(1,365,600)	(1,430,200)
Undeducted share issuance costs and financing fees	(55,700)	(148,400)
Non-capital losses	(2,444,200)	(1,416,600)
Portfolio investment	-	(17,000)
Change in valuation allowance	3,068,900	-
	$ -	$ (2,256,700)

As at December 31, 2010, the Company has non-capital losses of approximately $160,000, which expire if unutilized on December 31, 2028, $5,480,000 which expire if unutilized on December 31, 2029 and $4,110,000 which expire if unutilized on December 31, 2030.

The benefit of the Company's future income tax asset has not been recognized in these financial statements. The Company evaluates at each reporting date if this asset is "more likely than not" to be realized. Changes based on this evaluation could be material.

12. Share capital

(a) Authorized and issued capital

Authorized:

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

Issued:

Common shares	2010		2009	
	Shares	Amount	Shares	Amount
Shares outstanding, beginning of year	**48,681,700**	**$24,945,961**	42,301,700	$24,032,796
Normal course issuer bid (note 12 (b))	-	-	(120,000)	(68,122)
Private placements (note 12 (c))	-	-	6,500,000	1,105,000
Share issue costs (net of future income tax)	-	-	-	(123,713)
Shares outstanding, end of year	**48,681,700**	**$24,945,961**	48,681,700	$24,945,961

12. Share capital continued:

(b) Normal course issuer bid

There were no normal course issuer bid transactions for the year ended December 31, 2010.

During the year ended December 31, 2009, 120,000 common shares were purchased and cancelled at an approximate average cost of $0.16 per common share totaling $18,912. The carrying value of the total common shares purchased and cancelled in the amount of $68,122 was recorded as a charge against share capital with the discount of $49,210 credited to contributed surplus.

(c) Private placements

There were no private placements for the year ended December 31, 2010.

During the year ended December 31, 2009, the Company completed two brokered private placements, consisting of 4,100,000 shares at $0.17 per share for gross proceeds of $697,000 and 2,400,000 shares at $0.17 per share for gross proceeds of $408,000, respectively.

In both placements, the broker received a 10% commission and common share purchase warrants equivalent to 10% of the total of each of the placements (410,000 warrants and 240,000 warrants respectively).

The common share purchase warrants expire prior to December 31, 2010. The private placement on December 30, 2009 for 2,400,000 shares was with a director of the Company.

The warrants were valued at $30,213 using the Black- Scholes model.

(d) Stock options

The Company has a stock option plan for directors, officers, consultants and employees to purchase common shares over a period ranging from two to five years from the date the option is granted at prices approximating market prices on the day prior to the date of grant.

The table below sets out the changes in stock options, with their weighted average prices, during the year ended December 31, 2010:

	2010		2009	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Stock options, outstanding, beginning of year	3,480,000	$ 0.51	3,970,000	$ 1.20
Granted	1,075,000	0.20	-	-
Granted	630,000	0.25	1,355,000	0.25
Forfeited	(170,000)	(0.42)	(505,000)	(0.74)
Expired	(680,000)	(0.42)	(1,340,000)	(0.78)
Stock options, outstanding, end of year	4,335,000	$ 0.41	3,480,000	$ 0.51

12. Share capital continued:

Exercisable stock options:

	2010				2009			
	Number	Weighted average exercise price			Number	Weighted average exercise price		
Expiry date								
May 4, 2010	-		-		600,000		0.42	
August 25, 2010	-	$	-		80,000	$	0.25	
January 7, 2011	300,000		0.20		-		-	
January 9, 2011	375,000		0.72		375,000		0.72	
April 3, 2011	350,000		0.82		360,000		0.82	
June 4, 2011	1,285,000		0.25		1,355,000		0.25	
July 20, 2011	650,000		0.82		710,000		0.82	
May 7, 2012	600,000		0.25		-		-	
January 7, 2012	775,000		0.20		-	$	-	
	4,335,000	$	0.41		3,480,000	$	0.51	

The Company recorded stock-based compensation expense of $243,636 for the year ended December 31, 2010, relating to 1,075,000 and 630,000 stock options granted during the year which vested immediately on January 7, 2010 and May 6, 2010, respectively.

For the year ended December 31, 2009, the Company recorded stock-based compensation expense of $229,090, relating to 1,355,000 stock options granted during the year which vested immediately on June 4, 2009.

The weighted average fair value of options granted during the year ended December 31, 2010 was $0.21 (2009 - $0.15) estimated using the Black-Scholes option pricing model, under the following assumptions:

	May 2010	**January 2010**	June 2009
Expected term	2 years	2 years	2 years
Risk-free interest	1.44%	1.19%	1.33%
Expected dividends	nil	nil	nil
Expected volatility	105%	114%	119%

(e) Share purchase warrants

A summary of the warrants outstanding at December 31, 2010, is as follows:

Expiry date	**Issuance date**	**Type**	**Exercise price ($)**	**Number**	**Value**	**Remaining contractual life (months**
Balance, beginning of year			-	1,850,000	$ 78,009	
Expired during the year						
December 31, 2010	December 30, 2009	Agent	0.17	(240,000)	(13,608)	
December 31, 2010	December 22, 2009	Agent	0.17	(410,000)	(16,605)	
Balance, end of year				1,200,000	$ 47,796	
Represented by:						
October 31, 2011	October 31, 2009	Common shareholder	0.17	**1,200,000**	**$47,796**	10

12. Share capital continued:

A summary of the warrants outstanding at December 31, 2009, is as follows:

Expiry date	Issuance date	Type	Exercise price ($)	Number	Value	Remaining contractual life (months
Balance, beginning of year			-	1,200,000	$ 47,796	
Issued during the year						
December 31, 2010	December 30, 2009	Agent	0.17	240,000	13,608	
December 31, 2010	December 22, 2009	Agent	0.17	410,000	16,605	
Balance, end of year				1,850,000	$ 78,009	
Represented by:		Common				
October 31, 2011	October 31, 2009	shareholder	0.17	1,200,000	$ 47,796	10
December 31, 2010	December 30, 2009	Agent	0.17	240,000	13,608	12
December 31, 2010	December 22, 2009	Agent	0.17	410,000	16,605	12
				1,850,000	$ 78,009	

13. Contributed surplus

		2010		2009
Balance, beginning of year	**$**	**1,364,017**	$	1,085,717
Stock-based compensation expense		**243,636**		229,090
Normal course issuer bid adjustment (note 12 (a))		**-**		49,210
Expired warrants (note 12 (e))		**30,213**		-
Balance, end of year	**$**	**1,637,866**	$	1,364,017

14. Related party transactions

Related party transactions not otherwise disclosed are as follows:

The Company paid $48,000 during the year ended December 31, 2010 (2009 - $48,000) to a company controlled by a director, for premises rented for the Company's office in Slave Lake.

The Company paid $58,000 for the rental of equipment during the year ended December 31, 2010 to a company controlled by a director.

These transactions were recorded at the exchange amount established and agreed to by the parties. All transactions were rendered in the normal course of business during the period.

15. Commitments

The Company has lease commitments for facilities, construction equipment and vehicles that provide for minimum annual lease payments as follows:

2011	$	459,355
2012		97,559
2013		719
2014		-
2015		-
	$	557,633

16. Risk management and financial instruments

(a) 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 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, as reflected in the table below:

The Company's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to provide an adequate return to shareholders; and,
- to finance its operations and growth strategies.

In order to maintain or adjust the capital structure, the Company may issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the net debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt (as shown in the balance sheet less accounts payable and accrued liabilities) and less cash and cash equivalents. Adjusted capital comprises all components of equity (share capital, contributed surplus, warrants and deficit), other than amounts in accumulated other comprehensive income relating to the portfolio investment.

	2010	2009
Total debt	**$ 5,705,756**	$ 5,685,771
Less: cash and cash equivalents	**(392,032)**	(1,667,547)
Net debt	**5,313,724**	4,018,224
Total equity	**7,070,441**	12,616,292
Less: amounts in accumulated other comprehensive loss relating to portfolio investment	**(8,000)**	-
Adjusted capital	**7,062,441**	12,616,292
Net debt-to-adjusted capital ratio	**0.75**	0.32

The increase in the net debt-to-adjusted capital ratio during 2010 is the result of a decrease of cash and cash equivalents, and an increase in the Company's deficit for the year ended December 31, 2010 , as compared to the year ended December 31, 2009.

(b) Financial Instruments

Financial instruments consist of the Company's cash and cash equivalents, accounts receivable, portfolio investment, bank indebtedness, accounts payable and accrued liabilities, term loan facility, loans payable, and long-term debt.

The Company is exposed to the following risks in respect of certain of the financial instruments held:

i) Fair value

The fair value of cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities and term loan facility approximate their carrying values due to their short terms to maturity.

16. Risk management and financial instruments (b) continued:

The fair value of the portfolio investment approximates its carrying value as it has been adjusted to market price at December 31, 2010 and 2009.

The fair values of the long-term debt and obligations under capital leases approximate their carrying values since their stated interest rates approximate market interest rates at December 31, 2010 and 2009.

The fair value of the loans payable is not determinable as loans with similar terms would not be available from third parties.

ii) Credit risk

Credit risk arises from the potential that a customer will fail to perform its obligations. The Company is exposed to credit risk from customers. This risk is elevated in the current year similar to the prior year due to the impact of the current credit market and economy on its customers. The Company's maximum exposure is the value of its accounts receivable. However, to mitigate this risk the Company regularly reviews customer credit limits.

The Company has accounts receivable from customers in the oil and gas industry, as well as the utilities and infrastructure industry. Credit risk is mitigated due to the Company's significant customers being large industry leaders, following a program of credit evaluation and limiting the amount of customer credit where deemed necessary. Included in accounts receivable at December 31, 2010 was $1,687,965 or 62%, of total accounts receivable owing from six customers due to the significant contracts in progress at December 31, 2010. (2009 – 37% from three customers).

As at December 31, 2010, the Company's exposure to credit risk in this area was as follows:

	31 - 90 days	**91 - 120 days**	**121+ days**
Accounts receivable - 2010	$1,034,242	$109,502	$303,247

The Company monitors accounts receivable 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. The Company has recorded a $nil provision during the year ended December 31, 2010 ($378,904 - 2009).

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 not aware of any uncollectable receivables in this category.

16. Risk management and financial instruments (b) continued:

iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The following are the contractual maturities of the Corporation's financial liabilities as at December 31, 2010:

	2011	2012	2013	2014	2015	Total
Accounts payable and accrued liabilities	$1,265,155	$ -	$ -	$ -	$ -	$1,265,155
Term loan facility	3,599,023	-	-	-	-	3,599,023
Amounts due to related parties	1,048,482	-	-	-	-	1,048,482
Long-term debt	760,635	206,687	45,075	33,183	12,671	1,058,251
Operating lease commitments	459,355	97,559	719	-	-	557,633
	$7,132,650	$ 304,246	$ 45,794	$ 33,183	$ 12,671	$7,528,544

The Company may be exposed to liquidity risk if it is unable to collect its trade account receivable balances on a timely basis, which in turn could impact the Company's long-term ability to meet commitments under its credit facility, or if the credit facility is not renewed requiring the Company to make scheduled principal repayments. The Company's customers are subject to an internal credit review along with ongoing monitoring of the amount and age of balances in order to minimize the risk of non-payment. Long and short term cash flow forecasts are prepared and monitored to ensure adequate liquidity. See note 2 for further information in relation to liquidity.

iv) Interest risk

As at December 31, 2010, the Company is not exposed to interest risk as the Company has no financing facilities with a floating interest rate.

17. Comparative amounts

The comparative consolidated financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.

18. Segmented information

The Company operates in one segment in Western Canada with all its property, plant and equipment and intangible assets also held within Western Canada.

For the year ended December 31, 2010, the Company had revenues of 35% from two customers. No other customers comprise more than 10% of revenues.

19. Subsequent event

In March, 2011 the Company entered into a financing arrangement with a Canadian chartered bank to secure a $1,050,000 revolving working capital line of credit. The facility is secured by accounts receivable, a general security agreement on all assets of the Company and guarantees by the Company and an officer and Director of the Company. The interest rate on the facility is lender prime plus 1.50% with interest payable monthly. The facility expires April 30, 2012.

20. Changes in non-cash working capital

	2010	2009
Accounts receivable	**$1,282,804**	$6,904,580
Unbilled revenue	**(196,320)**	-
Inventories	**(8,691)**	31,441
Prepaid expenses	**141,412**	36,233
Accounts payable and accrued liabilities	**(1,012,727)**	368,068
Income taxes recoverable	**-**	140,542
	$206,478	$7,480,864