
# Management's Discussion and Analysis

## For the three and six months ended June 30, 2012 and 2011

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## For the three and six months ended June 30, 2012 and 2011

*This Management Discussion and Analysis (MD&A) should be read in conjunction with the unaudited condensed interim consolidated financial statements (the "Financial Statements") and the notes contained therein of Enterprise Group, Inc. ("Enterprise" or the "Company") for the three and six months ended June 30, 2012.*

*The unaudited condensed interim consolidated financial statements are prepared by management and reported in Canadian dollars, in accordance with International Accounting Standard "IAS" 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). The unaudited condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's 2011 Consolidated Financial Statements and the notes thereto, the 2011 MD&A and the 2011 AIF filed with Canadian regulatory agencies. The documents are available at www.sedar.com and at www.enterpriseoil.ca.*

*This MD&A was prepared effective August 13, 2012.*

## 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 and 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.

## QUARTERLY HIGHLIGHTS

- Revenue for the quarter grew by $1.3 million to $3.9 million compared to the same period last year and for the six months ended June 30, 2012, revenue grew by $675 thousand to $7.5 million over to the same period last year

- EBITDAS for the quarter grew by $1.3 million to $810 thousand compared to the same period last year and for the six months ended June 30, 2012, EBITDAS grew by $1.5 million to $1.4 million over the same period last year

- Income for the quarter grew by $1.6 million compared to the same period last year and for the six months ended June 30, 2012, income grew by $2.1 million to $1.4 million over the same period last year

- For the trailing twelve months the Company has recorded net income of $2.2 million and EBITDAS of $4.1 million

- Subsequent to the quarter end, the Company entered into a letter of intent to purchase a private utility services company and expects to close the transaction on or before August 31, 2012

- Subsequent to the quarter end, the Company changed its name to Enterprise Group, Inc.

## NON-GAAP MEASURES

In addition to using financial measures prescribed by IFRS, a certain non-GAAP measure is also used in this MD&A. This non-GAAP measure is "EBITDAS". References in this MD&A to EBITDAS are to earnings before interest, taxes, depreciation, amortization, impairment losses and share-based payments. EBITDAS is not an earnings measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS.

Management believes that EBITDAS is an appropriate measure in evaluating the Company's performance. EBITDAS should not be construed as an alternative to net income or cash flow from operating activity (as determined under IFRS) as an indicator of financial performance or to cash flow from operating activities (as determined under IFRS) as a measure of liquidity and cash flow. The Company's method of calculating EBITDAS may differ from the methods used by other issuers and, accordingly, the Company's EBITDAS may not be comparable to similar measures used by other issuers. This non-GAAP performance measure, EBITDAS, does not have any standardized meaning prescribed by IFRS and therefore is unlikely to 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.

## COMPANY PROFILE

Enterprise Group, Inc. (TSX Exchange: Symbol "E") is a construction services company operating in the energy, utility and transportation infrastructure industry. The Company's focus is primarily underground construction and maintenance and above ground plants and facilities. With corporate headquarters in St. Albert, Alberta, Canada, a sales office in Calgary, Alberta, construction offices in Slave Lake, Sherwood Park, and Innisfail, Alberta, and field offices in Wabasca and Fox Creek, Alberta, Enterprise is strategically located near its customers. The Company's strategy is to acquire complementary service companies in Western Canada, consolidating capital, management and human resources to support continued growth.

**Industry and Markets**
Enterprise provides construction services including installation of underground utility infrastructure and directional drilling, pipeline construction, repairs and maintenance, wellhead tie-ins, water injection lines, facilities construction, oilfield hauling, and transportation infrastructure. Enterprise's customers include some of Canada's largest telecommunication providers, utility service providers, energy producers, as well as the federal and provincial governments of Canada.

In the underground utility infrastructure industry, a large portion of the existing utility infrastructure is rapidly aging in the Province of Alberta, and in some areas, the utility infrastructure is beyond its intended useful life and beginning to fail. In response to this, the major stakeholders in the industry are implementing large scale, ongoing repair and replacement programs that are essential for continued growth in Alberta. Enterprise's largest customers in the utilities and infrastructure sector have such programs in place.

In addition to the repair and maintenance programs, the continuing development of new industrial, commercial and residential properties in the province requires the installation of new infrastructure, such as full underground services. A large portion of Enterprise's customers are property developers and contribute significantly to the bottom line of the Company.

Enterprise's fleet of directional drills is ideal for services required in underground utility construction. Combined with our industry expertise and experienced field personnel, Enterprise has become the supplier of choice in this sector, which has enabled the Company to secure ongoing contracts with its largest customers.

Enterprise also constructs pipelines in the energy services industry throughout Western Canada utilizing a fleet of over 200 trucks and heavy construction equipment. The Company has the equipment and expertise to undertake a project from start to finish. Major projects in this industry relate to the construction of pipelines, including up to 12" diameter steel pipe. Enterprise will increase its collective customer base and overall revenues by developing a skilled labour force, supported by a complete fleet of vehicles and equipment, thereby providing wide geographic coverage of energy services in Western Canada.

In addition to these two markets, the Company officially launched its new heavy equipment rental division, E One Limited, in the first quarter of 2012. Construction contractors typically operate a core fleet and will rent when activity surpasses full utilization of their fleet. With presence in Central and Northern Alberta, E One is positioned well to take advantage of a broad based construction boom, certainly highlighted in the energy sector.

**Seasonality of Operations**
A significant portion of Enterprise's operations relate to services provided to underground utility and directional drilling customers in Alberta. The demand for these types of services typically peak during the summer and fall months due to increased subdivision activity and then gradually decline in the winter months due to frozen ground. This is followed by wet soil conditions in the spring due to spring thaw and rain. Although this industry is less affected by seasonality than the oilfield services industry, the spring quarter is typically its slowest quarter of the year.

The Company's earnings in the energy sector follow the seasonal activity 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.

## OUTLOOK

The economy continues to gain momentum in Canada and expectations are that it will continue to grow through 2013. Economists at several Canadian banks are predicting that Western Canada will lead the nation in economic growth, and the Province of Alberta will lead all provinces in real GDP growth and employment growth in 2012 and

2013 due to robust activity in the energy sector.

Enterprise is realizing the benefits of the economic activity, recording profits for four consecutive quarters including the three months ended June 20, 2012, the second quarter of the year, which is historically the Company's slowest quarter of the year.

The underground utility and infrastructure division is currently operating at or near capacity. The multi-year contract Enterprise signed in March of 2010, with one of Canada's premier power suppliers is well underway and revenues are increasing as we continue to ramp up production to meet the customer's growing demands. In addition to the contract, Enterprise's largest customers in the underground utility and infrastructure division have a significant backlog of work that will carry through 2012.

The number of new subdivision developments is also expected to increase in 2012 and 2013 due to low interest rates and the demand for new housing. As such, Enterprise's largest customers in the subdivision industry are forecasting significant growth over the next two years. The Company's underground utility division specializes in the type of infrastructure that new subdivisions require. Therefore, management expects subdivision projects to remain strong through 2013.

Recognizing the opportunity at hand, management has begun executing its plan to increase this division's production capacity by adding key personnel and equipment to this operation. In addition to organic growth, management has identified several potential acquisition targets that if acquired, will contribute significantly to the growth of this division.

The energy sector is expected to continue its rapid growth in activity and propel the Province of Alberta into nation leading growth in 2012 and 2013. The price of crude oil has remained in the range of $80 to $100 per barrel and capital expenditure budgets for conventional oil based assets are increasing. Many of the oil and gas service and completion companies are reporting increases in activity, revenue and profitability. Additionally, BMO analysts are forecasting that oil production in Alberta for 2012 and 2013 will be busier than the previous year.

The increased access to capital for many of the oil and gas companies has resulted in an increase in the number of wells of drilled in the Western Canadian Sedimentary Basin in 2011. This trend is continuing in 2012. On May 29, 2012, The Canadian Association of Oilwell Drilling Contractors (CAODC) forecasted that the drilling rig fleet in the WCSB will expand by 24 units in 2012, adding that the industry has not seen this kind of growth since 2007. They also forecasted drilling rig utilization to be 49% in 2012, versus a forecast of 51% in 2011. In comparison, actual drilling rig utilization in 2010 was only 43%. The decrease in the forecasted drilling rig utilization is directly related to the expected increase in drilling rig capacity, as their forecasted number of wells to be drilled in 2012 increased marginally over 2011. These are clear indicators that the construction services provided by the Company will continue to increase in demand in the near future and management is highly optimistic about the upcoming opportunities.

As a result of the increased activity, many companies in the road lease building, drilling and completion sectors of the industry are continuing to report significant increases in revenue and profitability and Enterprise is beginning to realize these benefits of the activity as well.

Margins on awarded bid projects are increasing, however many of them were still below the Company's comfort zone. As such, the Company will continue to bid projects at margins that it feels are competitive. However, the Company is now being awarded projects based on forced account/hourly rates, which have significantly higher margins than bid work.

With many of these projects being located in Northern Alberta, Enterprise is geographically well positioned in relation to these projects. Our flagship operation for the energy sector is located in Slave Lake, Alberta which is surrounded by the conventional oil activity in Northern Alberta.

In addition to these two industries, the Company officially launched its new heavy equipment rental division, E One Limited, in the first quarter of 2012. The overall construction industry is operating at a fast pace and heavy equipment is in full demand. Construction contractors typically operate a core fleet and will rent when activity surpasses full utilization of their fleet. With presence in Central and Northern Alberta, E One is positioned well to take advantage of a broad based construction boom, certainly highlighted in the energy sector.

Management believes the growth potential of this division is very strong. BMO analysts noted in the February 2012 edition of the BMO Blue Book that, "companies that have contracts for rented equipment are keeping that equipment, even if they aren't using it; in short, they anticipate more work very soon." To fuel the growth of this division, management is contemplating significant capital expenditures to increase the rental fleet, and has also identified several potential acquisition targets that when completed will also contribute to the growth of this division. The growth will be funded through a combination of working capital from operations, new lease and term debt facilities as well as raising capital through private placements.

As the Company returns to profitability, it will be utilizing its $9.5 million of non capital losses to offset any income taxes payable. As a result, the Company's profits are effectively tax free until the non capital losses are fully utilized.

To date, activity continues to be robust and 2012 is setting up to be a profitable year. Management expects substantial organic growth from its operations due to ongoing demand for the Company's services and the expansion of its new rental division. Additionally, the potential acquisition targets identified by the Company, if acquired, will also contribute significantly to the overall growth of the Company.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

| | **Three months ended June 30, 2012** | Three months ended June 30, 2011 | **Six months ended June 30, 2012** | Six months ended June 30, 2011 |
|---|---|---|---|---|
| Revenue | **$3,891,514** | $2,615,763 | **$7,522,869** | $6,846,741 |
| EBITDAS | **810,231** | (445,978) | **$1,405,172** | $(143,982) |
| Income (loss) for the period | **416,776** | (1,164,925) | **$585,484** | $(1,551,016) |
| Basic and diluted earnings (loss) per share | **$0.01** | $(0.02) | **$0.01** | $(0.03) |
| Weighted average common shares outstanding - basic | **54,766,697** | 48,681,700 | **54,766,697** | 48,681,700 |
| Weighted average common shares outstanding - diluted | **55,430,384** | 48,681,700 | **55,519,121** | 48,681,700 |
| Total common shares outstanding | **54,766,697** | 54,766,697 | **54,766,697** | 54,766,697 |
| Total assets | **$15,193,112** | $13,562,440 | **$15,193,112** | $13,562,440 |
| Total liabilities | **$5,615,292** | $6,313,089 | **$5,615,292** | $6,313,089 |
| Total equity | **$9,577,820** | $7,249,351 | **$9,577,820** | $7,249,351 |

## Reconciliation of EBITDAS to Historical Results

| Statement of Income (Loss) | **Three months ended June 30, 2012** | Three months ended June 30, 2011 | **Six months ended June 30, 2012** | Six months ended June 30, 2011 |
|---|---|---|---|---|
| Income (loss) for the period | **$416,776** | $(1,164,925) | **$585,484** | $(1,551,016) |
| Add: | | | | |
| Income taxes (recovery) | **nil** | nil | **nil** | nil |
| Interest * | **78,648** | 306,390 | **160,099** | 612,475 |
| Depreciation and amortization ** | **275,978** | 319,385 | **568,109** | 656,156 |
| Share-based payments | **38,829** | 93,172 | **91,480** | 138,403 |
| EBITDAS | **$810,231** | $(445,978) | **$1,405,172** | $(143,982) |

* Interest includes short term interest and interest on long-term debt
** Depreciation and amortization include (gain)/loss on sale of equipment and fair value adjustment

## OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

Enterprise Group, Inc. is pleased to announce the Company's second quarter results, and its fourth consecutive quarter of profitability. The Company recorded a consolidated income from operations of $417 thousand for the three months ended June 30, 2012, which resulted in a year to date income from operations of $585 thousand, increases of $1.6 million and $2.1 million or 135.8% and 137.7% respectively. Revenue for the Company grew to $3.9 million, for the three months ended June 30, 2012, an increase of $1.2 million or 48.8%, and $7.5 million for the six months ended June, 30, 2012, an increase of $676 thousand or 9.9%. EBITDAS increased by $489 thousand or 281.7% to $810 thousand for the second quarter of 2012 and grew to $1.4 million for the six months ended June 30, 2012, an increase of $1.5 million or 1079.5% compared to the same period last year. For the trailing twelve months ended June 30, 2012, the Company recorded income from operations of $2.2 million and EBITDAS of $4.1 million.

Revenue in the underground utility and infrastructure division grew to $3.7 million in the quarter, an increase of $2.2 million compared to the same period last year. Gross profit for the quarter was $1.5 million an increase of $1.4 million or 1880.0% and EBITDAS grew to $1.3 million, an increase of $1.5 million or 955.2% over the same period last year. For the the six months ended June 30, 2012, revenue in this division was $6.7 million, compared to $5.0 million in the prior year, an increase of $1.7 million or 33.6%. Gross profit grew to $2.5 million, an increase of $1.0 million or 155.0% and EBITDAS grew to $2.2 million from $588 thousand, an increase of $1.7 million or 275.7% from the prior year. The growth in this division is largely due to an increase in projects from major customers and more seasonal soil conditions. Together, these two elements have allowed this division to operate at near full capacity for most of the year, and its operations are expected to remain at this level for the remainder of 2012 and into 2013.

Revenue in the energy services/rental division was $207 thousand for the quarter ended June 30, 2012, a decrease of $953 thousand or 82.1% in the prior year. Gross profit was negative $28 thousand, compared to $173 thousand,a decrease of $201 or 116.1% compared to the same quarter last year and EBITDAS was negative $133 thousand, a decrease of $481 thousand or 138.3% compared to the same period last year. For the six months ended June 30, 2012, revenue was $851 thousand compared to $1.9 million for the same period in the prior year, a decreased of $1 million or 54.0% and gross profit was $196 thousand, a decrease of $73 thousand or 27.0% compared to six months ended June 30, 2011. EBITDAS, for the six months ended June 30, 2012, was negative $52 thousand, a decrease

of $412 thousand or 114.5% over the same period last year. The decrease revenue is mainly due to the Company is continuing its strategy of focusing on smaller, cost plus projects in the oilfield services industry which results in higher margins for the Company but at revenues levels lower than historical amounts. Additionally, due to spring breakup, most of E One Limited's rental fleet was returned during this quarter. The gross profit of this division was also negatively impacted in the second quarter as the Company incurred higher than normal advertising and promotional costs related to the launch of E One Limited. However, management does expect this division to return to making a positive contribution to the Company in the third quarter, as E One has subsequently secured several rental contracts for its equipment.

Along with Company's continued profitability, the Company continued to improve its statement of financial position, by paying down over $549 thousand of existing debt and entering into new financing facilities that better serve the needs of the Company.

In July 2012, the Company entered into a new mortgage facility for $390 thousand amortized over 156 months with zero percent (0%) during the first 24 months of the loan followed by an interest rate will be 6.010% for the remaining portion of the five year term. This facility replaces the old mortgage which was a 9.5%, interest payments only facility with a one year term. This will save the Company approximately $80 thousand of interest expense over the first two years of the loan. For further information see the section titled "Subsequent Events" in this MD&A.

The Company continues to monitor its overheads and reduce costs where necessary while maintaining the effectiveness of the operations. Equipment costs, operational costs and G&A costs are continually under review. For the six months ended June 30, 2012, general and administration costs, including depreciation and amortization decreased by $683 thousand compared to the same period in 2011. For further information see the section titled "Selected Consolidated Expenses" in this MD&A.

**Gross margin**

The gross margin of the Company for the three months ended June 30, 2012, was 37.7% compared to 9.5% for the three months ended June 30, 2011. For the six months ended June 30, 2012, the gross margin was 35.8% compared to 18.2% for the same period last year.

In the underground utilities and directional drilling division, the gross margin increased to 40.6% for the three months ended June 30, 2012, compared to 5.2% for the same period in 2011. For the six months ended June 30, 2012, was 37.4% compared to 19.6% in the prior year. The increase in the gross margin is largely due to the more seasonal soil conditions compared to the prior year, which allows the division to operate at a higher level of efficiency. The Company expects this division to remain at higher margins through 2012, as this division is currently operating at or near full capacity.

Gross margin in the energy services/rental division for the three months ended June 30, 2012, was (13.5)% compared to 14.9% for the same period last year. For the six months ended June 30, 2012, the gross margin was 23.1% compared to gross margin of 14.5% in the prior year. This division was impacted by the spring breakup quarter. During this period the division experiences an increase in maintenance and repair costs due to the large volume of equipment rental returns. Additionally, the unusually small revenue did not fully cover the fixed costs of this division for the quarter. However on a year to date basis, the Company's strategy of bidding projects at reasonable margins, and choosing not to work for low or negative margins, along with the early contributions from equipment rentals is proving to be sound. Together, management expects these initiatives to contribute to significantly higher gross margins beginning in the third quarter of 2012.

ENTERPRISE GROUP, INC.

**Selected Consolidated Expenses**

A summary of selected financial information pertaining to consolidated expenses is set out below:

| Selected Consolidated Expenses | **Three months ended June 30, 2012** | Three months ended June 30, 2011 | **Six months ended June 30, 2012** | Six months ended June 30, 2011 |
|---|---|---|---|---|
| Depreciation and amortization | **$305,930** | $321,434 | **$610,190** | $660,437 |
| Management and administrative salaries and fees * | **$300,755** | $237,903 | **$643,036** | $509,159 |
| Professional and consulting fees | **$113,555** | $181,743 | **$185,902** | $390,441 |
| Interest and bank charges | **$78,648** | $306,389 | **$160,099** | $612,477 |
| Advertising and promotion | **$50,040** | $22,001 | **$94,201** | $49,088 |

* Management and administrative salaries and fees include those expenses associated with the operations of the Company's head office.

Management and administrative salaries and fees amounted to $301 thousand or 7.7% of revenue for the three months ended June 30, 2012, compared to $238 thousand or 9.1% of revenue for the same period last year. For the six months ended June 30, 2012, management and administrative salaries and fees were $643 thousand or 8.5% of revenue compared to $509 thousand or 7.4% of revenue for the six months ended June 30, 2011. The increase was due to management fees charged to the Company related to additional refinancings and the addition of personnel to the Company.

Professional and consulting fees amounted to $114 thousand or 2.9% of revenue for three months ended June 30, 2012, compared to $182 thousand or 6.9% of revenue for the same period last year. For the six months ended June 30, 2012, professional and consulting fees were $186 thousand or 2.5% of revenue compared to $390 thousand or 5.7% of revenue for the six months ended June 30, 2011. This decrease is due to engaging the expertise of consultants relating to legal, transition to IFRS and other accounting related matters for the Company in 2011.

Interest and bank charges amounted to $79 thousand or 2.0% of revenue for the three months ended June 30, 2012, compared to $306 thousand or 11.7% for the same period in the previous year. For the six months ended June 30, 2012 interest on loans and borrowings amounted $160 thousand or 2.1% of revenue compared to $612 thousand or 8.9% of revenue for the six months ended June 30, 2011. The decrease in interest expense reflects the reduced interest costs as a result of refinancing the high interest loans that the Company was carrying in the prior year.

Advertising and promotions amounted to $50 thousand or 1.3% of revenue for three months ended June 30, 2012, compared to $22 thousand or 0.8% of revenue for the same period last year. For the six months ended June 30, 2012, advertising and promotions amounted to $94 thousand or 1.3% of revenue compared to $49 thousand or 0.7% of revenue for the six months ended June 30, 2011. The increase is due to increased activities in stock promotion and costs associated with the launch and advertising and promotion of E One Limited, the Company's new heavy equipment rental division.

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## Cash Flow Information

A summary of cash flow information for the periods ended June 30, 2012, and 2011, is set out below:

| ($000's except per share amounts)<br>**Cash Flow Information** | **Three months ended June 30, 2012** | Three months ended June 30, 2011 | **Six months ended June 30, 2012** | Six months ended June 30, 2011 |
|---|---|---|---|---|
| Net cash provided by (used in) operating activities | **$905,522** | $(324,149) | **$1,827,334** | $(111,736) |
| Net cash (used in ) provided by financing activities | **(231,691)** | 462,889 | **(558,122)** | (68,216) |
| Net cash (used in) provided by investing activities | **(887,914)** | 96,823 | **(1,084,676)** | 23,483 |
| Change in cash and cash equivalents | **(214,083)** | 235,563 | **184,536** | (156,469) |
| Cash and cash equivalents, beginning of period | **755,822** | nil | **357,203** | 392,032 |
| Cash and cash equivalents, end of period | **$541,739** | $235,563 | **$541,739** | $235,563 |

| **Financial Statistics and Ratios** | **Three months ended June 30, 2012** | Three months ended June 30, 2011 | **Six months ended June 30, 2012** | Six months ended June 30, 2011 |
|---|---|---|---|---|
| Gross margin | 37.7% | 9.5% | **35.8%** | 18.2% |
| Income (loss) for the period as a percentage of revenue | **10.7%** | (44.5)% | **7.8%** | (22.7)% |
| EBITDAS as a percentage of revenue | **20.8%** | (17.0)% | **18.7%** | (2.1)% |

ENTERPRISE GROUP, INC.

## Segmented Information

The Company operates in two main business segments in Western Canada, installation and maintenance of underground utilities and directional drilling in the utility and transportation infrastructure industry sector, along with pipeline/facilities construction and maintenance and equipment rental in the energy sector . The business segments presented reflect the management structure of the Company and the way the Company's management reviews business performance. The accounting policies and practices of the reportable segments are the same as those described in notes 2, 3 and 4 to the Company's 2011 Consolidated Financial Statements for the fiscal year ended December 31, 2011.

| | Underground utilities and directional drilling | | Pipeline/ facilities construction & maintenance and equipment rentals | | Corporate | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| **Three months ended June 30** | **2012** | **2011** | **2012** | **2011** | **2012** | **2011** | **2012** | **2011** |
| Revenue | **$3,684,255** | $1,455,844 | **$207,255** | $1,159,919 | **$nil** | $nil | **$3,891,510** | $2,615,763 |
| EBITDAS | **$1,317,572** | $(154,073) | **$(133,150)** | $347,758 | **$(374,191)** | $(639,663) | **$810,231** | $(445,978) |
| Depreciation, amortization and impairment losses | **$141,474** | $237,222 | **$156,118** | $74,009 | **$8,339** | $10,203 | **$305,931** | $321,434 |
| Fair value adjustment | **$(29,953)** | $nil | **$nil** | $nil | **$nil** | $nil | **$(29,953)** | $nil |
| Interest and bank charges | **$32,661** | $87,208 | **$28,824** | $151,408 | **$17,163** | $67,774 | **$78,648** | $306,390 |
| Loss (gain) on sale of equipment | **$nil** | $(3,682) | **$nil** | $(4,058) | **$nil** | $5,691 | **$nil** | $(2,049) |
| Share-based payments | **$nil** | $nil | **$nil** | $nil | **$38,829** | $93,172 | **$38,829** | $93,172 |
| Income (loss) before taxes | **$1,173,390** | $(474,821) | **$(318,092)** | $126,399 | **$(438,522)** | $(816,503) | **$416,776** | $(1,164,925) |
| Total identifiable assets | **$8,610,702** | $6,067,019 | **$5,669,538** | $6,758,008 | **$912,872** | $737,413 | **$15,193,112** | $13,562,440 |

| | Underground utilities and directional drilling | | Pipeline/ facilities construction and equipment rental | | Corporate | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| **Six months ended June 30** | **2012** | **2011** | **2012** | **2011** | **2012** | **2011** | **2012** | **2011** |
| Revenue | **$6,671,984** | $4,995,425 | **$850,885** | $1,851,316 | **$nil** | $nil | **$7,522,869** | $6,846,741 |
| EBITDAS | **$2,210,661** | $588,367 | **$(52,337)** | $359,872 | **$(753,152)** | $(1,092,221) | **$1,405,172** | $(143,982) |
| Depreciation, amortization and impairment losses | **$279,458** | $282,751 | **$313,889** | $362,262 | **$16,843** | $15,424 | **$610,190** | $660,437 |
| Fair value adjustment | **$(29,953)** | $nil | **$nil** | $nil | **$(7,128)** | $nil | **$(37,081)** | $nil |
| Interest and bank charges | **$69,913** | $187,691 | **$56,469** | $343,910 | **$33,717** | $80,874 | **$160,099** | $612,475 |
| Loss (gain) on sale of equipment | **$nil** | $(3,682) | **$(5,000)** | $(6,290) | **$nil** | $5,691 | **$(5,000)** | $(4,281) |
| Share-based payments | **$nil** | $nil | **$nil** | $nil | **$91,480** | $138,403 | **$91,480** | $138,403 |
| Income (loss) before taxes | **$1,891,243** | $121,607 | **$(417,695)** | $(340,010) | **$(888,064)** | $(1,332,613) | **$585,484** | $(1,551,016) |
| Total identifiable assets | **$8,610,702** | $6,067,019 | **$5,669,538** | $6,758,008 | **$912,872** | $737,413 | **$15,193,112** | $13,562,440 |

## SUMMARY OF QUARTERLY RESULTS

| | 2012 | | 2011 | | | | 2010 | |
|---|---|---|---|---|---|---|---|---|
| | Jun. 30 | Mar. 31 | Dec. 31 | Sep. 30 | Jun. 30 | Mar. 31 | Dec. 31 | Sep. 30 |
| Revenue | $3,891,514 | $3,631,355 | $6,225,300 | $4,811,670 | $2,615,763 | $4,230,976 | $4,005,521 | $3,426,404 |
| Income (loss) for the period | $416,776 | $168,707 | $886,406 | $743,483 | $(1,164,925) | $(386,092) | $(3,636,197) | $(543,067) |
| Earnings (loss) per share - Basic and Diluted | $0.01 | $0.00 | $0.02 | $0.01 | $(0.02) | $(0.01) | $(0.07) | $(0.01) |

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

## SUBSEQUENT EVENTS

On July 24, 2012 the Company filed a Certificate of Amendment with the *Alberta Business Corporations Act* changing its name to Enterprise Group, Inc. from Enterprise Oilfield Group, Inc.

In July 2012, the Company refinanced the existing mortgage and entered into a new mortgage facility with a Canadian financial institution in the amount of $390,000. The mortgage is secured by specific property, guarantees by the Company and a director and officer of the Company. The fair value of the loan proceeds of $390,000 (face value) is $352,588. The facility, amortized over 156 months, has a 5 year term and is bearing interest at an effective rate of 6.010% with a stated interest rate of zero percent (0%) during the first 24 months of the loan. Principal payments only are required for the first 24 months of the mortgage, and principal plus interest payments are required for the remaining portion. The effective and stated annual interest rate during the interest period is 6.010%. This facility will be used to pay out the Company's existing mortgage facility.

On July 10, 2012, the Company entered into a letter of intent to purchase the operations of a mature and profitable utility services & maintenance company (the "private company") with operations based in the Edmonton, Alberta area. The private company provides unique services to the utility sector which are complimentary to the Company's utility subsidiary T.C. Backhoe & Directional Drilling Limited Partnership ("TCBLP"). The private company prides itself on its experienced manpower and formidable equipment fleet. The Company's strategy is to continue to grow the private company in its core competencies while expanding services to a larger customer base and increasing its fleet. The purchase price will be funded by cash, 1,000,000 common shares of the Company at a price of $0.25 and the assumption of some equipment financing. Completion of this acquisition will be subject to a number of conditions, including but not limited to Toronto Stock Exchange approval and satisfactory due diligence by the Company. The Company expects to close the transaction on or before August 31, 2012.

## OUTSTANDING SHARE DATA

| | August 13, 2012 | June 30, 2012 | December 31, 2011 |
|---|---|---|---|
| Common shares outstanding | **54,766,697** | 54,766,697 | 54,766,697 |
| Stock options outstanding | **4,300,000** | 4,300,000 | 4,320,000 |
| Warrants outstanding | **7,284,997** | 7,284,997 | 7,284,997 |
| Total | **66,351,694** | 66,351,694 | 66,371,694 |

## 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 June 30, 2012.

## RELATED PARTY TRANSACTIONS

The Company has entered into various transactions with corporations that are controlled by officers and directors of the Company and corporations that either control the Company or have common ownership. Related party transactions not otherwise disclosed in this MD&A are as follows:

The Company paid $24,000 for premises rented for the Company's office in Slave Lake during the six months ended June 30, 2012 to a company controlled by a director.

The Company paid $151,500 for the rental of equipment during the six months ended June 30, 2012 for the rental of equipment to companies controlled by a director.

The Company paid $17,500 for the rental of yard premises in Innisfail, Alberta, during the six months ended June 30, 2012 to a company controlled by a director.

The above related party amounts outstanding as at June 30, 2012 are $nil.

At June 30, 2012, the Company has the following related party loan payable:

- $181,467 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.

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.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgements, 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. The significant areas of estimation and critical judgements and their potential effects as described in the Company's 2011 MD&A have not changed during the current period. The emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates.

## 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 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.

The Company's exposure to the above risks remains largely unchanged since December 31, 2011. For a detailed discussion of these risks, see the Company's 2011 AIF and MD&A filed on the Canadian Securities Administrator's website www.sedar.com. The following presents updated information about the Company's exposure to the above risks.

**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 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 industries. Credit risk is mitigated due to significant customers being large industry leaders, following a program of credit evaluation and limiting the amount of customer credit where deemed necessary. The Company monitors 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 does not anticipate any significant default as it transacts with creditworthy customers and management does not expect any significant losses from non-performance by these customers. As such an additional provision for doubtful accounts of $nil has been recorded for June 30, 2012.

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 uncollectable receivables in this category of $nil, which is included in the $nil above .

Included in accounts receivable at June 30, 2012, was $1,515,338 or 48% of total accounts receivable owing from three customers due to the significant contracts in progress at June 30, 2012.

As at June 30, 2012, the Company's maximum exposure to credit risk in this area was as follows:

| | Total | 1 – 90 days | 91 – 120 days | 121+ days |
|---|---|---|---|---|
| Accounts Receivable - 2012 | **$3,153,190** | $2,533,784 | $198,940 | $420,466 |

Cash and cash equivalents consist of cash bank balances held in both interest and non-interest bearing accounts. The Company manages credit exposure of cash by selecting financial institutions with high credit ratings.

**Liquidity Risk and Capital Resources**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the principal repayment requirements of the Corporation's financial obligations for the next five years and thereafter based on the Company's current repayment schedules as at June 30, 2012:

| Contractual Obligations | Total | 2013 | 2014 | 2015 | 2016 | 2017 | After 5 years |
|---|---|---|---|---|---|---|---|
| Trade and other payables | $ 881,542 | $ 881,542 | $ nil | $ nil | $ nil | $ nil | $ nil |
| Loans and borrowings | $4,733,749 | $2,306,942 | $ 891,219 | $ 876,904 | $ 651,530 | $ 7,154 | $ nil |
| Operating lease commitments | $ 458,701 | $ 311,311 | $ 139,315 | $ 3,589 | $ 3,589 | $ 897 | $ nil |
| Total contractual obligations | $ 6,073,992 | $ 3,499,795 | $ 1,030,534 | $ 880,493 | $ 655,119 | $ 8,051 | $ nil |

The Company may be exposed to liquidity risk if it is unable to collect its trade and other receivables 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 unscheduled 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 3 of the accompanying financial statements for further information in relation to liquidity.

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

**Capital Management**
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. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing returns. Management has assessed the effect of a 1% interest rate increase or decrease in the prime lending at June 30, 2012, rate to impact the Company's annual interest expense by approximately $22,100. 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 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.

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 trade and other payables, 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 marketable securities.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

**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 such internal control over financial reporting 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 the Internal Control – Integrated Framework to evaluate the effectiveness of internal control over financial reporting which is a recognized and suitable framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

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 June 30, 2012, 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.

**Material Changes to Disclosure Controls and Procedures and Remediation Plans**

The Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in the rules of the Canadian Securities Administrators) and concluded that the Company's disclosure controls and procedures were effective as of June 30, 2012, and in respect of the June 30, 2012 interim reporting period.

Our disclosure controls and procedures have been designed to provide reasonable assurance that material information related to the Company is made known to the CEO and CFO by others and that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified by securities legislation. Management has also designed internal controls over financial reporting and has conducted an evaluation of those controls.

For the six months ended June 30, 2012, the Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the Company's internal disclosure controls and procedures and have concluded that the Company's disclosure controls and procedures were effective.

The material weaknesses in internal controls that were initially identified for the year ended December 31, 2011, are outlined below. The weaknesses in internal control over financial reporting included those controls over policies and procedures for period end closings within a specific operating division of the Company.

In the first and second quarters of 2012, a management team was formed with the objective to address these weaknesses and implement controls to improve the financial reporting process. The management team implemented additional managerial and oversight controls to review key transactions. Additionally, the Company hired a divisional controller with the appropriate experience and technical skills within the specific operating division to prevent a reoccurrence of these issues. Management believes the necessary steps have been taken to remediate the above weaknesses, however management will continue to monitor the effectiveness of the changes throughout the year.

Additional information, including the Company’s Annual Information Form, can be found on SEDAR at www.sedar.com or the Company web site at www.enterpriseoil.ca.

**MANAGEMENT TEAM / BOARD OF DIRECTORS**

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

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

John Pinsent, CA, ICD.D., Director

Keir Reynolds, Director

Fredy Ramsoondar, CGA, Director

**PIPELINE CONSTRUCTION TEAM AND BOARD OF ADVISORS**

Pete Kalf, Project Manager – Central Alberta

Darryl Northrup, General Manager – Underground Utilities and Infrastructure Operations

James Chorney, Independent Advisor – Engineering & Pipeline Construction

**OFFICE TEAM**

Kevin Spitzmacher, Chief Financial Officer

Colette Dziwenka-Fortin, Corporate Controller

Doug Moak, General Manager

Francine Coleman, Divisional Controller

Colleen Cramer-Manning, Divisional Controller

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