Consolidated Financial Statements

For the years ended December 31, 2012 and 2011

ENTERPRISE GROUP, INC.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of Enterprise Group, Inc.

The management of Enterprise Group, Inc. prepared these consolidated financial statements and is responsible for their reliability, completeness and integrity. They conform in all material aspects to International Financial Reporting Standards.

Management maintains the necessary accounting and internal control systems to ensure: the timely production of reliable and accurate accounting information, the protection of assets (to a reasonable extent) against loss or unauthorized use, and the promotion of operational efficiency. The Board of Directors oversees management's responsibilities for the financial reporting and internal control systems.

The auditors, who are recommended to the Shareholders by the Audit Committee and appointed by the Shareholders, conducted an audit of these consolidated financial statements in accordance with Canadian auditing standards. The Audit Committee reviewed these financial statements with the auditors in detail before recommending their approval.

St. Albert, Alberta
March 27, 2013

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

Independent Auditors' report

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To the Shareholders of
Enterprise Group, Inc.

We have audited the accompanying consolidated financial statements of Enterprise Group, Inc., which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years ended December 31, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Enterprise Group, Inc. as at December 31, 2012, and December 31, 2011, and its financial performance and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Edmonton, Canada

March 27, 2013

Chartered Accountants

Consolidated Statements of Financial Position

As at December 31		2012		2011
Assets				
Cash and cash equivalents	$	**1,151,616**	$	357,203
Trade and other receivables (note 4 (b))		**6,076,583**		4,817,204
Unbilled revenue		**414,498**		938,234
Inventories (note 5)		**591,206**		1,035,451
Deposits and prepaid expenses		**659,417**		304,860
		8,893,320		7,452,952
Property, plant and equipment (note 6)		**15,899,329**		8,429,189
Goodwill (note 7)		**1,558,530**		-
Intangible assets (note 8)		**1,213,785**		763,875
Marketable securities (note 9)		**16,000**		28,000
Deferred tax assets (note 10)		**869,468**		-
		19,557,112		9,221,064
Total assets	$	**28,450,432**	$	16,674,016
Liabilities				
Trade and other payables	$	**1,528,819**	$	2,575,341
Current portion of loans and borrowings (note 11)		**924,801**		3,939,598
		2,453,620		6,514,939
Long-term portion of loans and borrowings (note 11)		**12,371,887**		1,254,221
Deferred tax liabilities (note 10)		**1,599,212**		-
Total liabilities		**16,424,719**		7,769,160
Equity				
Share capital		**25,921,249**		25,577,893
Warrants (note 13 (b))		**310,797**		313,710
Contributed surplus		**2,106,922**		1,803,096
Deficit		**(16,297,255)**		(18,785,843)
Accumulated other comprehensive loss		**(16,000)**		(4,000)
Total equity		**12,025,713**		8,904,856
Total equity and liabilities	$	**28,450,432**	$	16,674,016

Approved on behalf of the Board:

(Signed) "Leonard D. Jaroszuk" Director

(Signed) "John Pinsent, CA, ICD.D." Director

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statements of Income and Comprehensive Income

Years ended December 31	2012	2011
Revenue	**$ 18,504,028**	$ 17,883,712
Direct expenses	**(10,841,831)**	(13,173,446)
General and administrative expenses	**(3,204,801)**	(3,148,533)
Acquisition costs (note 3)	**(259,183)**	-
Depreciation of property, plant and equipment	**(1,299,399)**	(1,113,752)
Impairment losses of property, plant and equipment	**-**	(73,038)
Amortization of intangible assets	**(165,012)**	(145,500)
Loss on sale of property, plant and equipment	**(191,849)**	(54,598)
Other income	**8,259**	590,879
Income from operations	**2,550,212**	765,724
Finance expense	**(411,290)**	(686,850)
Income before income tax	**2,138,922**	78,874
Income tax		
Income tax recovery (note 10)	**349,666**	-
Net income	**$ 2,488,588**	$ 78,874
Other comprehensive loss		
Unrealized loss on marketable securities	**$ (12,000)**	$ (12,000)
Other comprehensive loss	**(12,000)**	(12,000)
Net income and comprehensive income	**$ 2,476,588**	$ 66,874
Earnings per share (note 14)		
Basic earnings per share	**$ 0.04**	$ -
Diluted earnings per share	**$ 0.04**	$ -

The accompanying notes are an integral part of these consolidated financial statements

ENTERPRISE GROUP, INC.

Consolidated Statements of Cash Flows

Years ended December 31	2012	2011
Cash flows from operating activities:		
Income before income tax	**$ 2,138,922**	$ 78,874
Adjustments for:		
Depreciation of property, plant and equipment	**1,299,399**	1,113,752
Amortization of intangible assets	**165,012**	145,500
Impairment losses of property, plant and equipment	**-**	73,038
Loss on sale of property, plant and equipment	**191,849**	54,598
Share-based payments	**145,336**	182,018
Insurance proceeds from loss of inventories	**-**	(100,000)
Finance expense	**411,290**	686,850
Change in non-cash working capital (note 16)	**(2,433,801)**	(1,829,361)
Net cash provided by operating activities	**1,918,007**	405,269
Cash flows from financing activities:		
(Decrease) increase in bank indebtedness	**(962,200)**	962,200
Proceeds from bank loan facility	**10,657,429**	1,800,000
Proceeds from term loan facilities	**1,501,100**	1,500,000
Proceeds of mortgage facility	**390,000**	-
Interest and borrowing costs paid on loans and borrowings	**(823,879)**	(678,299)
Repayment of term loan facility	**(1,452,344)**	(3,738,500)
Repayment of other term loan facilities	**(50,474)**	-
Repayment of other loans payable	**(405,009)**	(643,472)
Repayment of bank loan facility	**(1,620,000)**	(180,000)
Repayment of finance lease liabilities	**(418,290)**	(262,766)
Repayment of mortgage facility	**(401,948)**	(169,000)
Private placement of issuance of common shares	**-**	912,749
Share issue costs	**-**	(14,903)
Stock options exercised	**15,000**	-
Warrants exercised	**13,333**	-
Net cash provided by (used in) financing activities	**6,442,718**	(511,991)
Cash flows from investing activities:		
Cash paid for acquisition of subsidiary, net of cash acquired	**(4,598,591)**	-
Purchase of property, plant and equipment	**(3,225,561)**	(427,067)
Proceeds on sale of property, plant and equipment	**257,840**	498,960
Net cash (used in) provided by investing activities	**(7,566,312)**	71,893
Change in cash and cash equivalents	**794,413**	(34,829)
Cash and cash equivalents, beginning of year	**357,203**	392,032
Cash and cash equivalents, end of year	**$ 1,151,616**	$ 357,203

The accompanying notes are an integral part of these consolidated financial statements

	Number of Common shares	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total
Balance at December 31, 2010	48,681,700	$24,945,961	$47,796	$1,621,078	$ 8,000	$(18,864,717)	$7,758,118
Private placement of issuance of common shares and warrants	6,084,997	912,749	-	-	-	-	912,749
Fair value of warrants issued	-	(265,914)	265,914	-	-	-	-
Share issue costs	-	(14,903)	-	-	-	-	(14,903)
Unrealized loss on marketable securities	-	-	-	-	(12,000)	-	(12,000)
Share-based payments	-	-	-	182,018	-	-	182,018
Net income	-	-	-	-	-	78,874	78,874
Balance as at December 31, 2011	54,766,697	$25,577,893	$313,710	$1,803,096	$(4,000)	$(18,785,843)	$8,904,856
Shareholder contribution (note 15)	-	-	-	165,200	-	-	165,200
Issuance of common shares (note 3)	2,000,000	305,400	-	-	-	-	305,400
Stock options exercised	100,000	21,710	-	(6,710)	-	-	15,000
Warrants exercised	66,666	16,246	(2,913)	-	-	-	13,333
Unrealized loss on marketable securities	-	-	-	-	(12,000)	-	(12,000)
Share-based payments	-	-	-	145,336	-	-	145,336
Net income	-	-	-	-	-	2,488,588	2,488,588
Balance as at December 31, 2012	56,933,363	$25,921,249	$ 310,797	$ 2,106,922	$(16,000)	$(16,297,255)	$12,025,713

The accompanying notes are an integral part of these consolidated financial statements

1. Reporting entity

Enterprise Group, Inc. ("Enterprise" or the "Company") is a public company incorporated under the Alberta Business Corporations Act and its shares are listed on the Toronto Stock Exchange under the symbol "E". Enterprise is a consolidator of businesses providing services to the utility, energy and construction industries. The Company has a fleet of trucks and heavy equipment to install underground utilities and pipelines. Additionally, the Company rents heavy equipment and flameless heating units throughout Western Canada. On July 24, 2012, the Company changed its name to Enterprise Group, Inc. from Enterprise Oilfield Group, Inc.

The financial statements of the Company as at December 31, 2012 and December 31, 2011 are comprised of the Company and its wholly owned subsidiaries. The audited consolidated financial statements were authorized for issue by the Board of Directors on March 27, 2013. Enterprise's head office is located at #2, 64 Riel Drive, St. Albert, Alberta, T8N 4A4.

2. Significant accounting policies

Statement of compliance

The Company prepares its financial statements in accordance with *International Financial Reporting Standards (IFRS)* as issued by the *International Accounting Standards Board (IASB)*.

Basis of presentation

The financial statements have been prepared on the historical cost basis except for financial instruments recorded at fair value through profit or loss and available for sale financial assets which are measured at fair value.

Basis of consolidation

Included in these consolidated financial statements are the financial statements of Enterprise Group, Inc. and its wholly-owned subsidiaries: Enterprise Energy Services Inc., E One Limited., T.C. Backhoe & Directional Drilling Ltd., T.C. Backhoe & Directional Drilling Limited Partnership, T.C. Backhoe Holdings Inc. and Artic Therm International Ltd. The financial statements of subsidiaries are consolidated from the date that control commences until the date that control ceases. All subsidiaries have the same reporting periods as the Company. All significant inter-entity balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in full.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

Critical accounting judgements in applying accounting policies

The following are significant management judgements, apart from those involving estimation uncertainty, in applying the accounting policies of the Company that have the most significant effect on the financial statements.

i. Leases
Management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards of ownership. Management evaluates the lease terms and in some cases the lease transaction is not always conclusive in its classification as a finance lease.

ii. Deferred taxes
Management estimates the probability of future taxable income in which deferred tax assets can be utilized based on the Company's forecasted budget. The Company also takes into consideration non-taxable income and expenses and the various tax rules in effect or expected to be in effect at a future date. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, then the asset is recognized. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed by management based on specific circumstances.

2. Significant accounting policies continued:

Estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts included in the financial statements included, but were not limited to, the following:

i. Share-based payments
The Company estimates the fair value of stock option awards using the Black Scholes Option Pricing Model. Certain key assumptions used in the model include the expected interest rate, expected volatility, forfeitures, dividend yield and expected term.

ii. Property, plant and equipment and intangible assets
The Company estimates useful life, residual value and depreciation methods based on industry norms, historical experience, market conditions and future cash flows. It is possible that future results could be materially affected by changes in the above factors.

iii. Business combinations
In a business combination, the Company may acquire assets and assume certain liabilities of an acquired entity. Estimates are made as to the fair value of property, plant and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property, plant and equipment and intangible assets acquired, the Company may rely on independent third party valuators. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, discount rates, and earnings multiples.

iv. Impairments
An asset or cash generating unit (CGU) is impaired when its carrying value exceeds its recoverable amount, which is the higher of its fair value less costs to sell and value in use. This calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The calculation is based on a discounted cash flow model, which incorporated the Company's budget and business plan. The recoverable amount is most sensitive to the discount rate used in the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. To arrive at cash flow projections the Company uses estimates of economic and market information over the projection period, including growth rates in revenues, estimates of future expected changes in operating margins, and cash expenditures. Other significant estimates and assumptions include future estimates of capital expenditures and changes in future working capital requirements.

v. Income tax
The Company follows the asset/liability method for calculating deferred income taxes. Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws in each jurisdiction.

2. Significant accounting policies continued:

Financial instruments

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

i. Available-for-sale financial instruments
The Company's marketable securities are classified as available-for-sale. Fair value is determined by reference to the quoted closing bid price at the reporting date. Fair value changes, other than impairment losses, are recognized in other comprehensive income.

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

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

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

Level 1 - Fair value measurements based on unadjusted quoted market prices.

Level 2 - Fair value measurements are based on inputs other than quoted prices included in Level 1 that are derivable from the asset or liability either directly or indirectly.

Level 3 - Fair value measurements on unobservable market information.

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.

Inventories

Inventories of supplies and parts are measured at the lower of cost and net realizable value. The cost of inventories is measured on a first-in first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost consists of the purchase price, plus costs directly attributable to putting the asset in use and where applicable, an estimate of the costs of removing the item and site restoration.

Depreciation is calculated over the depreciable amount, which is the cost of asset less its residual value. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	- 25 years
Small equipment	- 5 years
Light automotive equipment	- 5 years
Computers and communication equipment	- 4 years
Heavy automotive, construction and portable rental equipment	- 10 years
Leasehold improvements	- over the remaining term of lease

The useful lives, depreciation methods and residual values are reviewed at each reporting date for consistency with the expected pattern of economic benefits from the assets.

2. Significant accounting policies continued:

Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. All other leases are classified as operating and payments are recognized as an expense on a straight-line basis over the lease term.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the consideration transferred, measured at the acquisition date in addition to the fair value of any non-controlling interest in the acquired entity. All acquisition costs are expensed as incurred. Any contingent consideration expected to be paid will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration will be recognized in accordance with IAS 39 “Financial Instruments: Recognition and Measurement”. When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Company’s net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized as a gain for the period. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is assigned to the Company’s CGU's that are expected to benefit from the combination, irrespective of whether the assets and liabilities of the acquired are assigned to that (those) CGU(s). If a business unit is disposed of, goodwill disposed of is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Goodwill is tested for impairment annually or more frequently when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of each operating segment to which the goodwill relates. Where the recoverable amount of the operating segment (including the carrying value of the allocated goodwill) is less than the carrying value, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Customer relationships are recorded at cost and amortized on a straight line basis over their estimated life of ten years. Patents are recorded at cost and amortized on a straight line basis over their estimated life.

Share-based payments

The fair value of stock options are measured at the grant date using the Black-Scholes Option Pricing Model, and recognized over the vesting period. The fair value is part of compensation expense within general and administrative expenses, with a corresponding increase in contributed surplus. A forfeiture rate is estimated and is adjusted to reflect the actual number of options that vest. Consideration received on the exercise of stock options is credited to share capital and previously recorded compensation expense is transferred from contributed surplus to share capital to fully reflect the value of shares issued.

The fair value of warrants is measured at the grant date using the Black-Scholes Option Pricing Model. The fair value is recognized as compensation expense within general and administrative expenses, with a corresponding increase in contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of warrants that vest.

2. Significant accounting policies continued:

Revenue recognition

Revenue from projects under unit price contracts, cost plus contracts or fixed price contracts are recognized based on the terms and conditions in the contract in the period in which the related services have been provided and collectability is reasonably assured. Revenue from rental contracts is recognized in the period in which the rental services have been provided and collectability is reasonably assured. Revenue from rental contracts is measured at fair value net of trade discounts. The Company recognizes revenue when it can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met. The unbilled portion of contracts not yet complete at the end of a reporting period are recorded as work in progress.

Finance income and expense

Finance expense includes interest, loan transaction costs and impairment losses. Finance income is earned at the effective interest rate.

Income tax

Income tax expense is comprised of current and deferred taxes. Current and deferred tax is recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income taxes for the current period, including any adjustments to the tax payable in respect of previous years, are recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the tax rates that are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using the tax rates that are expected to apply in the period in which the deferred tax asset or liability is expected to settle, based on the laws that have been enacted or substantively enacted by the reporting date. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced accordingly to the extent that it is no longer probable that they can be utilized.

Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees and share purchase warrants.

Impairment

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets are impaired can include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency of payments;
- it is probable that the borrower will enter bankruptcy or financial re-organization; or
- significant or prolonged decline in the market value of investments below its cost.

2. Significant accounting policies continued:

For certain categories of financial assets, such as accounts receivable, the Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss or credited against the allowance account.

Non-financial assets

Assets that have an indefinite useful life, for example, goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

For the purposes of assessing impairment, assets are grouped into CGUs. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. CGUs are the smallest identifiable group of assets that generate cash flows that are independent of the cash flows of other groups of assets. The determination of CGUs was based on management's judgments in regard to the geographic location of operating divisions, product groups and shared infrastructure.

Early adoption of accounting standards issued

In 2012, the Company has early adopted the Annual Improvements to IFRS's 2009-2011 Cycle of *IAS 1 Presentation of Financial Statements*. The amendments to *IAS 1* clarifies the requirements for the comparative information when entities apply accounting policies retrospectively, makes a retrospective restatement of items in the financial statements, or when items are reclassified in its financial statements. By early adopting the standard, the Company has determined that they are not required to present a third statement of financial position for items that have been reclassified retrospectively. The amendments are effective for annual periods beginning on or after January 1, 2013 but can be applied earlier.

Accounting standards issued but not yet applied

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company has determined that there is minimal or no impact of these new and amended standards on its financial statements.

The following is a brief summary of the new standards:

IFRS 9 - Financial Instruments

IFRS 9, was issued in November 2009 and is effective on or after January 1, 2015. It addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in *IAS 39* for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss.

IFRS 10 - Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

2. Significant accounting policies continued:

IFRS 11 - Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation.

IFRS 12 - Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles.

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all *IFRS* standards.

IAS 1 - Presentation of Financial Statements

IAS 1 has been amended to require entities to separate items presented in OCI into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted.

3. Business acquisitions

Effective September 1, 2012, the Company acquired all of the issued and outstanding common shares of Artic Therm International Ltd. (ATI), a privately held specialized equipment rental company, for an aggregate purchase price of $6,500,000. The acquisition of ATI is consistent with the Company's strategy to acquire complementary companies in Western Canada consolidating capital, management and human resources to support continued growth. The Company accounted for the acquisition using the acquisition method and the operations of ATI have been included in the consolidated financial statements from the date of acquisition. Goodwill acquired with ATI comprises the value of expected synergies arising from the acquisition and the expertise and reputation of the assembled workforce. Goodwill acquired is $1,393,330 and is non-deductible for income tax purposes.

The cost of the purchase price has been allocated to the net identifiable assets based on their estimated fair values at the date of acquisition as follows:

Working capital	$	94,069
Property, plant and equipment		5,265,942
Patent - estimated useful life of seven years (note 8)		350,284
Customer relationship - estimated useful life of ten years (note 8)		264,638
Goodwill (note 7)		1,393,330
Deferred tax liability		(1,079,459)
Net assets acquired	$	6,288,804

The Company acquired the following in working capital:

Cash and cash equivalents	$	401,457
Trade and other receivables		76,364
Deposits and prepaid expenses		18,907
Trade and other payables		(402,659)
Fair value	$	94,069

3. Business acquisitions continued:

The Company acquired the following in property, plant and equipment:

Buildings	$	25,495
Computers and communication equipment		2,730
Small equipment		115,553
Light automotive equipment		94,264
Heavy automotive, construction and portable rental equipment		5,027,900
Fair value	$	5,265,942

The fair value of the purchase consideration is comprised of the following:

Cash	$	5,000,000
Vendor take back loans (note 11 (b))		983,404
Common shares - 2,000,000 with a fair value of $0.205 less liquidity adjustment of $104,600		305,400
Total consideration paid	$	6,288,804

The fair value of the 2,000,000 common shares issued has been reduced by an illiquidity adjustment as the shares are subject to a one year escrow agreement. The value of the illiquidity adjustment has been determined using the Black-Scholes Model.

The Company incurred transaction costs of $259,183, which were expensed through the statement of income. This amount was comprised of due diligence, legal and interest costs.

ATI's revenues and net income for the four months since acquisition were $1,629,112 and $697,592 respectively.

Based on unaudited financial information available, management estimates that if the acquisition had occurred January 1, 2012, the Company's consolidated revenues and net income for the year would have been $21,786,626 and $3,358,650 respectively.

4. Financial instruments and risk management

(a) Fair value of financial instruments

The estimated fair value of the Company’s financial instruments approximates the amount for which the financial instrument could currently be exchanged in an arm’s length transaction between willing parties who are under no compulsion to act. The carrying value of trade and other receivables, trade and other payables, and loans and borrowings approximate fair value because of the near term to maturity of these instruments. The carrying value of the new bank facility approximates their fair value because the near term maturity of the instrument.

The carrying amounts presented in the balance sheet relate to the following categories of assets and liabilities.

		2012		2011
Financial assets				
Loans and receivables				
Cash and cash equivalents	**$**	**1,151,616**	$	357,203
Trade and other receivables		**6,076,583**		4,817,204
Available for sale				
Marketable securities		**16,000**		28,000
Financial liabilities				
Trade and other payables	**$**	**1,528,819**	$	2,575,341
Loans and borrowings		**13,296,688**		5,193,819

4. Financial instruments and risk management continued:

Financial risk management

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

(b) Credit risk

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

The Company has trade receivables from customers in the utilities/infrastructure construction industry, as well as customers in the oil and gas industry. Credit risk is mitigated due to significant customers being large industry leaders, following a program of credit evaluation and limiting the amount of customer credit where deemed necessary. The Company monitors trade receivables monthly to identify any amounts which are past due and considers if they are impaired. This assessment is done on an invoice by invoice basis. Losses from trade accounts receivable have not historically been significant. As such the Company has recorded a provision of doubtful accounts at December 31, 2012 of $1,270 (2011 - $14,252).

The majority of the accounts receivable relates to sub division underground utilities installation for large energy and utility providers and as such invoices outstanding over 90 days are not uncommon. Management is aware of uncollectible receivables in this category of $nil, which is included in the $1,270 above (December 31, 2011 - $nil, which is included in the $14,252 above).

At December 31, 2012, $982,746 or 16% of trade receivables were from one customer compared to $1,687,965 or 62% from six customers in the prior year. The Company's maximum exposure to credit risk from trade and other receivables at December 31 is as follows:

	2012	2011
Current (less than 90 days)	**$ 5,395,626**	$ 4,353,756
Past due (more than 90 days)	**680,957**	463,448
Total	**$ 6,076,583**	$ 4,817,204

(c) Liquidity risk

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

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

2012

	Carrying amount	**Contractual cash flows**	**Due within one year**	**Two-five years**	**More than five years**
Trade and other payables	$ 1,528,819	$ 1,528,819	$ 1,528,819	$ -	$ -
Long term loans and borrowings including current portion	13,296,688	15,111,567	1,066,505	14,045,062	-
Operating lease commitments	-	1,036,984	321,224	715,760	-
	$ 14,825,507	$ 17,677,370	$ 2,916,548	$ 14,760,822	$ -

4. Financial instruments and risk management continued:

2011

	Carrying amount	Contractual cash flows	Due within one year	Two-five years	More than five years
Bank indebtedness	$ 962,200	$ 1,005,499	$ 1,005,499	$ -	$ -
Trade and other payables	2,575,341	2,575,341	2,575,341	-	-
Previous bank loan facility (note 11 (e))	1,611,295	1,782,750	1,782,750	-	-
Other loans payable	405,009	430,009	430,009	-	-
Long term loans and borrowings including current portion	2,215,315	2,438,690	1,080,580	1,358,110	-
Operating lease commitments	-	671,952	386,322	285,630	-
	$ 7,769,160	$ 8,904,241	$ 7,260,501	$ 1,643,740	$ -

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of the financial instruments. Management has assessed the effect of a 1% interest rate increase or decrease in the prime lending rate at December 31, 2012 to impact the Company's annual interest expense by approximately $100,000. The Company has not entered into any derivative agreements to mitigate this risk.

Capital management

The primary objective of capital management is to ensure the Company has sufficient capital to support its business and maximize shareholder value. The Company manages its capital in proportion to risk of the underlying assets and makes adjustments in light of changes in economic conditions and risks. The Company's strategy remains unchanged from prior periods. Management considers its capital structure to include net debt and adjusted capital of the Company. Adjusted capital comprises all components of equity (share capital, contributed surplus, warrants and deficit), other than amounts in accumulated other comprehensive income relating to the marketable securities. The Company's objectives when managing capital are to finance its operations and growth strategies and to provide an adequate return to shareholders. In order to maintain or adjust the capital structure, the Company may issue new shares, or sell assets to reduce debt.

The new bank loan facility (note 11 (a)) is subject to the following three financial covenants which is tested quarterly beginning in the fourth quarter of 2012. The Company is in compliance with the required covenants at December 31, 2012 and expects to be in compliance with the required covenants at a minimum for the next twelve months.

i) "Fixed Charge Coverage Ratio" - with respect to any fiscal period of the borrower, the ratio of (a) EBITDA, minus any unfinanced capital expenditures of the credit parties, and any cash taxes paid by the credit Parties during such period; to (b) all Fixed Charges.

ii) "Senior Leverage Ratio" - as of any date of determination, the result of (a) the amount "Senior Funded Debt" of the Borrower and its Subsidiaries on a consolidated basis, as of such date, to (b) the trailing twelve month EBITDA for the 12 month period ended as of such date.

iii) "Capital Expenditures" - contract for, purchase or make any expenditure or commitments for Capital Expenditures in any fiscal year in an aggregate amount for all Credit Parties in excess of $3,000,000 in each twelve month period following the Closing Date, without the consent of the Agent.

"Unfinanced Capital Expenditures" shall mean, with respect to any fiscal period, the total of the following: (i) 20% of Capital Expenditures that increase the Eligible Equipment Fleet; plus (ii) 100% of capital Expenditures that do not increase the Eligible Equipment Fleet, less (A) third party capital contributed for the specific purpose of financing those Capital Expenditures, less (B) new third party debt advanced for the specific purpose of financing those Capital Expenditures.

4. Financial instruments and risk management continued:

“Fixed Charges” shall mean and include all cash actually expended by any Credit Party to make (a) interest payments on any Advances hereunder, plus (b) payments for all fees, commissions and charges set forth herein and with respect to any Advances, plus (c) capitalized lease payments, plus (d) payments with respect to any other Indebtedness for borrowed money.

“Senior Funded Debt” shall mean, with respect to any Person, without duplication, all Obligations under this Agreement and all other Indebtedness for borrowed money that ranks prior to or pari passu with the Obligations and specifically including Capitalized Lease Obligations and Indebtedness consisting of guarantees of Senior Funded Debt of other Persons.

Fair value determination

A number of the Company’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

5. Inventories

	December 31, 2012	December 31, 2011
Parts and supplies	$ 591,206	$ 1,035,451

Parts and supplies expensed in direct expenses during the year ended December 31, 2012 was $2,467,506 (2011 - $1,929,774).

6. Property, plant and equipment

Cost or deemed cost	Balance at December 31, 2011	Reclassification	Additions	Disposals	Balance at December 31, 2012
Land	$ 375,000	$ -	$ -	$ -	$ 375,000
Buildings	447,029	-	25,495	-	472,524
Leasehold improvements	123,235	-	3,695	-	126,930
Computers and communication equipment	115,099	-	32,075	-	147,174
Small equipment	1,137,157	433,941	420,234	(228)	1,991,104
Light automotive equipment	1,068,871	-	433,508	(53,192)	1,449,187
Heavy automotive, construction and portable rental equipment	10,924,363	-	7,870,286	(659,401)	18,135,248
	$ 14,190,754	$ 433,941	$ 8,785,293	$ (712,821)	$ 22,697,167

	Accumulated depreciation				Carrying amounts	
	Balance at December 31, 2011	Depreciation for the year	Disposals	Balance at December 31, 2012	Balance at December 31, 2011	Balance at December 31, 2012
Land	$ -	$ -	$ -	$ -	$ 375,000	$ 375,000
Buildings	9,904	5,071	-	14,975	437,125	457,549
Leasehold improvements	117,263	6,792	-	124,055	5,972	2,875
Computers and communication equipment	83,496	12,794	-	96,290	31,603	50,884
Small equipment	696,304	138,348	-	834,652	440,853	1,156,452
Light automotive equipment	633,851	125,269	(34,563)	724,557	435,020	724,630
Heavy automotive, construction and portable rental equipment	4,220,747	1,011,125	(228,563)	5,003,309	6,703,616	13,131,939
	$ 5,761,565	$ 1,299,399	$ (263,126)	$ 6,797,838	$ 8,429,189	$ 15,899,329

6. Property, plant and equipment continued:

During the year, management identified certain items of property, plant and equipment that were previously included in the Company's inventory balance and have been reclassified accordingly. The impact of the reclassification does not have a significant impact on the amounts previously presented and no reclassification of the previous amounts has been made for the impact of this change. Inventories of parts and supplies with a carrying value of $433,941 were reclassified to property, plant and equipment as the assets were not sold within a year. Also during the year the Company acquired $293,790 (2011 - $211,050) of property and equipment through finance leases, $5,265,942 (2011 - $nil) as part of a business combination (note 3) and the remaining $3,225,561 (2011 - $427,067) with cash.

Cost or deemed cost	Balance at December 31, 2010	Additions	Disposals	Impairment losses	Balance at December 31, 2011
Land	$ 375,000	$ -	$ -	$ -	$ 375,000
Buildings	731,029	-	(284,000)	-	447,029
Leasehold improvements	115,885	7,350	-	-	123,235
Computers and communication equipment	127,363	28,965	-	(41,229)	115,099
Small equipment	1,230,747	57,363	(40,304)	(110,649)	1,137,157
Light automotive equipment	1,070,064	38,348	(38,326)	(1,215)	1,068,871
Heavy automotive, construction and portable rental equipment	10,747,133	506,091	(309,217)	(19,644)	10,924,363
	$ 14,397,221	**$ 638,117**	**$ (671,847)**	**$ (172,737)**	**$ 14,190,754**

	Accumulated depreciation					Carrying amounts	
	Balance at December 31, 2010	Depreciation for the year	Impairment losses	Disposals	Balance at December 31, 2011	Balance at December 31, 2010	Balance at December 31, 2011
Land	$ -	$ -	$ -	$ -	$ -	$ 375,000	$ 375,000
Buildings	8,132	6,320	-	(4,548)	9,904	722,897	437,125
Leasehold improvements	107,672	9,591	-	-	117,263	8,213	5,972
Computers and communication equipment	113,033	10,162	(39,699)	-	83,496	14,330	31,603
Small equipment	711,162	67,207	(60,000)	(22,065)	696,304	519,585	440,853
Light automotive equipment	399,000	241,789	-	(6,938)	633,851	671,064	435,020
Heavy automotive, construction and portable rental equipment	3,526,802	778,683	-	(84,738)	4,220,747	7,220,331	6,703,616
	$4,865,801	**$1,113,752**	**$ (99,699)**	**$ (118,289)**	**$5,761,565**	**$ 9,531,420**	**$ 8,429,189**

Depreciation and impairment charge

The depreciation and impairment of property, plant and equipment, and any eventual reversal thereof, are recognized in depreciation expense in profit or loss.

7. Goodwill

Cost or deemed cost	Balance at December 31, 2011	Additions (note 3)	Additions (note 15)	Balance at December 31, 2012
Goodwill	**$ -**	**$ 1,393,330**	**$ 165,200**	**$ 1,558,530**

At December 31, 2012, the Company performed its annual goodwill impairment test in accordance with its policy as described in note 2. Based on the result of this test, the Company concluded that the recoverable amount of its CGUs exceeded their carrying amount and, therefore, goodwill was not impaired.

7. Goodwill continued:

Management believes that the methodology used to test impairment of goodwill, which involves a significant number of judgments and estimates, provides a reasonable basis for determining whether an impairment has occurred. Many of the factors used in determining whether or not goodwill is impaired are outside management's control and involve inherent uncertainty. Therefore, actual results could differ from those estimated. It is reasonably likely that assumptions and estimates will change in future periods and could have a significant impact on the recoverable amount of a CGU, resulting in impairments. In performing the goodwill impairment test, the Company compares the recoverable amount of its CGU's to their respective carrying amounts. If the carrying amount of a CGU is higher than its recoverable amount, an impairment charge is recorded as a reduction in the carrying amount of the goodwill on the consolidated statements of financial position and recognized as a non-cash impairment charge in income.

The Company estimated the recoverable amount by using the value-in-use approach. It estimated fair value using market information and discounted after-tax cash flow projections, which is known as the income approach. The income approach used a CGU's projection of estimated operating results and discounted cash flows based on a discount rate that reflects current market conditions. The Company used cash flow projections from financial forecasts covering a five-year period. For its December 31, 2012 impairment test, the Company discounted its CGU's cash flows using an after-tax discount rate of 20%. To arrive at cash flow projections, the Company used estimates of economic and market information over the projection period. If market and economic conditions deteriorate or if volatility in the financial markets causes declines in the Company's share price, increases the weighted average cost of capital, or changes valuation multiples or other inputs to its goodwill assessment, the Company may need to test its goodwill for impairment between its annual testing periods. In addition, it is possible that changes in the numerous variables associated with the judgments, assumptions, and estimates made by management in assessing the fair value of the Company's goodwill could cause its CGUs to be impaired. Goodwill impairment charges are non-cash charges that could have a material adverse effect on the Company's consolidated financial statements but in themselves do not have any adverse effect on its liquidity, cash flows from operating activities, or debt covenants and will not have an impact on its future operations.

The calculation of fair value less costs to sell for all CGUs is most sensitive to the following assumptions:

i. Operating margins based on actual experience and management's long-term projections.
ii. The Company's weighted average cost of capital.
iii. Growth rate estimates based on actual experience and market analysis. Projections use a growth rate that approximates 3.0%.

As at December 31, 2012, the recoverable amount of the Company's CGUs exceeded their carrying amount. With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would have caused the carrying amount of the CGUs to exceed its recoverable amount.

8. Intangible assets

Cost or deemed cost	Balance at December 31, 2010	Additions	Balance at December 31, 2011	Additions (note 3)	Balance at December 31, 2012
Patent	$ -	$ -	$ -	$ 350,284	$ 350,284
Customer relationships	1,455,000	-	1,455,000	264,638	1,719,638
	$ 1,455,000	**$ -**	**$ 1,455,000**	**$ 614,922**	**$ 2,069,922**

Amortization and impairment losses	Balance at December 31, 2010	Amortization for the year	Balance at December 31, 2011	Amortization for the year	Balance at December 31, 2012
Patent	$ -	$ -	$ -	$ 16,025	$ 16,025
Customer relationships	545,625	145,500	691,125	148,987	840,112
	$ 545,625	**$ 145,500**	**$ 691,125**	**$ 165,012**	**$ 856,137**

8. Intangible assets continued:

Carrying amounts	Balance at December 31, 2011	Balance at December 31, 2012
Patent	$ -	$ 334,259
Customer relationships	763,875	879,526
	$ 763,875	**$ 1,213,785**

9. Marketable securities

	December 31, 2012		December 31, 2011	
	Cost	**Market**	Cost	Market
Samoth Oilfield Inc. **400,000 common shares**	**$100,000**	**$16,000**	$100,000	$28,000

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 three directors and an officer of the Company.

The marketable securities are classified as available-for-sale. At December 31, 2012, the Company adjusted the carrying value of its investment in Samoth, to its market value of $0.04 per share resulting in an unrealized loss in other comprehensive loss of $12,000 (December 31, 2011 - unrealized loss in other comprehensive loss of $12,000). The Company's investment in Samoth is classified as a Level 1 financial instrument as it is based on unadjusted quoted market prices.

10. Income tax expense

(a) Actual income tax provision differs from the expected amount calculated by applying the statutory provincial and federal income tax rates to income before tax. Income tax rates changed from 26.5% in 2011 to 25.0% in 2012 due to a reduction in federal statutory rates. These differences result from the following:

Years ended December 31	2012	2011
Income before income tax	**$ 2,138,922**	$ 78,874
Expected tax rate	**25.0 %**	26.5 %
	534,731	20,902
Increase (decrease) resulting from:		
Non-deductible amounts	**42,263**	53,953
Utilization of non-capital losses	**-**	(11,665)
Change in unrecognized deferred tax assets	**(926,660)**	(63,190)
Income tax recovery	**$ (349,666)**	$ -

(b) Components of income tax expense are:

Years ended December 31	2012	2011
Current tax expense	**$ -**	$ -
Deferred tax expense		
Change in temporary differences	**1,657,606**	-
Recorded in OCI	**1,500**	-
Acquired in business combination	**(1,082,994)**	-
New deductible temporary differences	**63,694**	-
Original temporary differences	**$ 639,806**	$ -
Change in unrecognized deductible temporary differences	**(1,629,278)**	-
Income tax recovery	**$ (349,666)**	$ -

10. Income tax expense continued:

(c) Current year deferred tax assets and liabilities are attributable to the following:

Years ended December 31	2012	2011
Deferred tax assets		
Marketable securities	**$ 2,000**	$ -
Cumulative eligible capital	**1,620,923**	-
Share issue costs	**10,080**	-
Non-capital losses	**(189,143)**	1,010,572
Deferred tax assets	**1,443,860**	1,010,572
Offset by deferred tax liabilities below	**(574,392)**	(620,259)
Net deferred tax assets	**$ 869,468**	$ 390,313
Deferred tax liabilities		
Property, plant and equipment	**$ (1,972,620)**	$ (926,042)
Intangibles	**(148,853)**	-
Investment in partnership	**(12)**	(54,226)
Loans and borrowings	**(52,119)**	(30,304)
Deferred tax liabilities	**(2,173,604)**	(1,010,572)
Offset by deferred tax assets above	**574,392**	620,259
Net deferred tax liabilities	**$ (1,599,212)**	$ (390,313)
Net deferred tax asset (liability)	**$ (729,744)**	$ -

In 2011, the Company disclosed deferred taxes on a net basis on the consolidated statement of financial position.

The amount of deferred tax assets considered realizable is based upon the Company's estimates of future taxable income. As the Company further develops its estimates, the amount of deferred tax assets considered realizable may change. For the year ended December 31, 2012, the Company did not recognize $2,192,609 (2011 - $3,129,945) of deferred tax assets arising from non-capital loss carryforwards.

As at December 31, 2012, the Company has non-capital losses carried forward of $8,013,860 (2011 $9,730,600) available to reduce future taxable income which expire between 2028 and 2032.

11. Loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost.

Years ended December 31		2012	2011
Current loans and borrowings			
Bank indebtedness	(c)	**$ -**	$ 962,200
Current portion of vendor take-back loans	(b)	**502,918**	-
Previous bank loan facility	(e)	**-**	1,611,295
Term loan facilities	(d)	**297,241**	301,458
Other loans payable	(h)	**-**	405,009
Current portion of finance lease liabilities	(f)	**97,177**	275,111
Current portion of mortgage facilities	(g)	**27,465**	384,525
Total current loans and borrowings		**924,801**	3,939,598
Non-current portion of loans and borrowings			
New bank loan facility	(a)	**10,383,452**	-
Vendor take-back loans	(b)	**496,842**	-
Term loan facilities	(d)	**944,393**	1,053,835
Finance lease liabilities	(f)	**239,146**	200,386
Mortgage facilities	(g)	**308,054**	-
Total non-current portion loans and borrowings		**12,371,887**	1,254,221
Total loans and borrowings		**$ 13,296,688**	$ 5,193,819

(a) New bank loan facility

On September 11, 2012, the Company consolidated various loans by closing a new $12,500,000 bank loan facility. At the Company's option the facility bears interest at the lender's prime rate plus 2.0% or the annual rate of interest equal to the arithmetic average rate applicable to Canadian dollar bankers' acceptances for the applicable interest period plus 4.0%. There are no principal repayments until the due date, September 11, 2015, and is subject to certain borrowing restrictions. The facility is secured by a first charge on all the Company's assets except those secured with other lenders, as disclosed below. As at December 31, 2012, the Company is in compliance with the required covenants and expects to be in compliance with these covenants over the next 12 months. The Company has drawn $10,657,429 outstanding less transaction costs of $273,977 at December 31, 2012, (2011 - $nil) and the effective interest rate was 5.00% (2011 – $nil).

(b) Vendor take-back loans

In connection with the financing of the ATI acquisition per (note 3), the Company agreed to vendor take-back loans of a fair value of $983,404 (face value of $1,000,000) plus $16,356 accrued interest. The loans bear interest at an effective rate of 5% (stated rate of 4%) and are payable over two years. Principal payments will be $500,000 plus accrued interest on September 12, 2013 and 2014.

(c) Bank indebtedness

The Company's bank indebtedness at December 31, 2012 was $nil (2011 - $962,200). This facility had a limit of $1,550,000, was secured by specific trade receivables and bore interest at Canadian prime plus 1.5%.

(d) Term loan facilities

The Company has outstanding term loan facilities at December 31, 2012 of $1,241,634 (2011 - $1,355,293). The facilities are secured by specific equipment, a general security agreement on all assets of the Company and guarantees by both the Company and an officer and director. Terms of the facilities are outlined below.

11. Loans and borrowings (d) continued:

	Original face value	Original fair value	Effective interest rate	Stated interest rate	Net book value of collateral	**Carrying value, net of transaction costs 2012**	Carrying value, net of transaction costs 2011
Term loan facility #1	$1,091,100	$997,530	5.735%	0%	$1,342,839	**$ 919,216**	$ -
Term loan facility #2	410,000	380,047	5.475%	0%	465,227	**322,418**	-
Term loan facility #3	1,500,000	1,378,785	5.585%	0%	nil	**-**	1,355,293
						$ 1,241,634	$ 1,355,293

The Company is in compliance with the terms of the facilities at December 31, 2012.

(e) Previous bank loan facility

The previous bank loan facility consisted of a $1,800,000 non-revolving demand loan with a Canadian chartered back. The facility was secured by specific equipment, 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 was lender prime plus 2.0%. The loan was repayable over 60 months with principal payments of $30,000 plus interest, commencing July 31, 2011. Specific construction, automotive and other equipment had been pledged as collateral. On September 11, 2012, the new bank loan facility paid out in full the previous bank loan facility outstanding balance of $1,381,885.

(f) Finance lease liabilities

The Company has outstanding lease liabilities on various equipment of $336,323 as at December 31, 2012 (2011 - $475,497). The leases bear interest from 0 - 7.49%, have cumulative monthly payments of $9,341 and mature September 2017. The leases are secured by specific equipment with a net book value of $386,947 of which $280,189 pertains to light automotive equipment and $106,758 pertains to heavy automotive, construction and portable rental equipment.

	Totals	**Due within one year**	**Two-five years**	**More than five years**
Present value of minimum lease payments	$ 336,323	$ 97,177	$ 239,146	$ -
Interest	30,742	14,930	15,812	-
Future minimum lease payments	$ 367,065	$ 112,107	$ 254,958	$ -

Included in the above, on October 31, 2012, the Company entered into a new finance lease liability bearing zero percent (0%) interest for 36 months. The proceeds of the lease, $108,660 (face value), has a fair value of $101,114, and has been determined by discounting the lease amount at a discount rate of 5% over the term of the lease.

Also included in the above, on January 20, 2012, the Company entered into a new finance lease liability bearing zero percent (0%) interest for 60 months. The proceeds of the lease, $62,321 (face value), has a fair value of $55,193, and has been determined by discounting the lease amount at a discount rate of 5% over the term of the lease.

(g) Mortgage facility

In 2012, the Company refinanced its previous mortgage facility. The outstanding balance at December 31, 2012 is $340,467 less transaction costs of $4,948 (2011 - $390,000 less transaction costs of $5,475). The facility has a $390,000 face value and a fair value of $352,588. The facility will be amortized over 156 months, has a 5 year term, an effective interest rate of 6.01% and a stated interest rate of 0% for the first 24 months. Payments for the first 24 months are principal only, with remaining payments being principal plus interest. The facility is secured by land and buildings with a net book value of $592,241.

11. Loans and borrowings continued:

(h) Other loans payable

The Company has outstanding loans with related parties at December 31, 2012 of $nil (2011 - $405,009). The unsecured demand loans bore interest from 10 - 16% and were used to facilitate the Company's working capital requirements. These transactions were recorded at the exchange amount established and agreed to by both parties. All transactions were rendered in the normal course of business during the year. During the year ended December 31, 2012 the Company incurred interest expense of $41,277 (2011 - $77,489) to corporations with common key management and/or directors, of which $nil is outstanding and included in loans payable at December 31, 2012 (2011 - $4,013 - to corporations with common key management and/or directors).

12. Share capital

Authorized:

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

13. Share-based payments

(a) Stock option program (equity-settled)

The Company has a stock option plan 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.

Outstanding stock options:	December 31, 2012		December 31, 2011	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Stock options, beginning of year	4,320,000	$ 0.18	4,335,000	$ 0.41
Granted	2,075,000	0.12 - 0.25	2,945,000	0.15 - 0.25
Expired	(1,445,000)	0.15 - 0.25	(2,960,000)	0.20 - 0.82
Exercised	(100,000)	0.15 - 0.20	-	-
Forfeited	(300,000)	0.15 - 0.25	-	-
Stock options, end of year	4,550,000	$ 0.16	4,320,000	$ 0.18

Exercisable stock options:	December 31, 2012			December 31, 2011		
	Number	Weighted average exercise price	Weighted average remaining contractual life (months)	Number	Weighted average exercise price	Weighted average remaining contractual life (months)
Expiry date						
2012	-	-		1,375,000	$0.20 - 0.25	2
2013	2,625,000	0.15 - 0.25	5	2,945,000	0.15 - 0.25	17
2014	1,925,000	0.12 - 0.15	16	-	-	-
Stock options, end of year	4,550,000	$ 0.16	9	4,320,000	$ 0.18	12

For the year ended December 31, 2012, a forfeiture rate of 6.8% (2011 - 6.2%) is used when recording share-based compensation. This estimate is adjusted to the actual forfeiture rate.

13. Share-based payments (a) continued:

The Company recorded share-based compensation expense of $145,336 for the year ended December 31, 2012 (2011 - $182,018) relating to 2,075,000 (2011 - 2,945,000) stock options issued and vested immediately during the year.

The weighted average fair value of options granted during the year ended December 31, 2012 was $0.07 (year ended December 31 2011 - $0.06) estimated using the Black-Scholes Option Pricing Model, under the following assumptions:

	2012	2011
Expected term	**1- 2 years**	2 years
Risk-free interest	**1.03 - 1.23%**	1.52 - 1.69%
Expected dividends	**nil**	nil
Expected volatility	**75 - 97%**	88 - 94%
Forfeiture rate	**6.8%**	6.2%

(b) Share purchase warrants

	December 31, 2012			December 31, 2011		
	Weighted average exercise price	**Number**	**Value**	Weighted average exercise price	Number	Value
Warrants, outstanding, beginning of year	**$ 0.21**	**7,284,997**	**$ 313,710**	$ 0.25	1,200,000	$ 47,796
Issued	**-**	**-**	**-**	**0.20**	6,084,997	265,914
Exercised	**0.20**	**(66,666)**	**(2,913)**	**-**	-	-
Warrants, outstanding, end of year	**$ 0.21**	**7,218,331**	**$ 310,797**	**$ 0.21**	7,284,997	$ 313,710

Summary of the warrants outstanding:

Expiry date	**Issuance date**	**Type**	**Exercise price**	**2012 Number**	**2012 Value**	**2012 Remaining contractual life (months)**	2011 Number	2011 Value	2011 Remaining contractual life (months)
October 31, 2012	October 31, 2009	Common shareholder	**$ 0.25**	**1,200,000**	**$ 47,796**	10	1,200,000	$ 47,796	10
June 30, 2013	June 30, 2011	Common shareholder	**$ 0.20**	**6,018,331**	**263,001**	6	6,084,997	265,914	18
Warrants, outstanding, end of year				**7,218,331**	**$ 310,797**		7,284,997	$313,710	

On June 30, 2011, the Company completed a non-brokered private placement, consisting of 6,084,997 units at $0.15 per unit for gross proceeds of $912,749. In the placement, each unit consisted of one common share and one common share warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.20 per warrant. The common share purchase warrants expire on June 30, 2013. The private placement includes 2,801,664 units issued to related parties of the Company. The warrants were valued at $265,914 using the Black-Scholes Option Pricing Model.

13. Share-based payments (b) continued:

The fair value of the warrants was estimated using Black-Scholes Option Pricing Model with the following weighted average inputs. No warrants were issued for the year ended December 31, 2012.

	2012	**2011**
Share price	-	$0.12
Exercise price	-	0.20
Expected term	-	2 years
Risk-free interest	-	1.58%
Expected dividends	-	nil
Volatility	-	92%

14. Earnings per share

The income available to common shareholders and weighted average number of common shares outstanding for comparative basic and diluted earnings per share at December 31 are:

	2012	2011
Weighted average common shares outstanding – basic	**55,452,854**	51,515,808
Effect of stock options and warrants	**733,333**	-
Weighted average common shares – diluted	**56,186,187**	51,515,808
Net income	**$ 2,488,588**	$ 78,874

In calculating diluted earnings per common share for the year ended December 31, 2012, the Company excluded stock options of 975,000 and warrants of 7,218,331 (year ended December 31, 2011 – 4,320,000 stock options and 7,284,997 respectively, as their impact was anti-dilutive.

15. Related party transactions

In addition to the related party amounts described in note 11 (h), the Company has entered into various transactions in the normal course of business with corporations controlled by officers and directors of the Company. These transactions were recorded at the exchange amount established and agreed to by the parties.

Years ended December 31	**2012**	2011
Rental of premises	**$56,000**	$84,000
Rental/ purchase of equipment	**303,750**	418,217
Management/finders/finance fees	**570,550**	304,672
	$930,300	$806,889

In addition to the above, a director and officer of the Company provided a non-cash consideration to certain vendors with respect to the acquisition of ATI. This non-cash consideration conferred a benefit to the Company and as such has been recorded by the Company as a capital contribution at an estimated fair value using the Black-Scholes Model of $165,200.

Key management personnel compensation comprised:

Years ended December 31	**2012**	2011
Salaries and directors' fees	**$887,145**	$782,084
Share-based payments	**98,932**	156,108

	$986,077	$938,192

16. Supplemental cash flow information

Years ended December 31	2012	2011
a) Changes in non-cash working capital:		
Trade and other receivables	**$(1,183,015)**	$(2,088,198)
Unbilled revenue	**523,736**	(741,914)
Inventories	**10,304**	(220,605)
Deposits and prepaid expenses	**(335,650)**	(88,830)
Trade and other payables	**(1,449,176)**	1,310,186
	$(2,433,801)	$(1,829,361)
b) Other non-cash transactions:		
Inventories reclassified to property, plant and equipment (note 6)	**433,941**	-
Equipment purchased under finance leases	**293,790**	211,050
	$727,731	$211,050

17. Segmented information

The Company operates in two main business segments in Western Canada, utilities/infrastructure construction and equipment rental. 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 note 2.

Year ended December 31, 2012	Utilities/ infrastructure construction	Equipment rental	Corporate	December 31, 2012
Revenues	$ 15,247,584	$ 3,256,444	$ -	$ 18,504,028
EBITDAS (i)	5,300,229	994,412	(1,962,474)	4,332,167
Depreciation and amortization	588,287	836,009	40,115	1,464,411
Fair value adjustment	(36,987)	(64,535)	(6,959)	(108,481)
Interest and bank charges	210,170	207,795	82,164	500,129
Loss on sale of property, plant and equipment	172,544	19,306	-	191,850
Share-based payments	-	-	145,336	145,336
Income (loss) before taxes	$ 4,366,215	$ (4,163)	$ (2,223,130)	$ 2,138,922
Total identifiable assets	$ 11,149,120	$ 14,830,260	$ 2,471,052	$ 28,450,432

For the year ended December 31, 2012, the Company generated 43% of revenue from two customers in the utilities/infrastructure construction division. No other customers comprise more than 10% of revenues.

17. Segmented information continued:

Year ended December 31, 2011		Utilities/ infrastructure construction	Equipment rental	Corporate	December 31, 2011
Revenues	$	13,839,387 $	4,044,325 $	- $	17,883,712
EBITDAS (i)		3,799,741	919,079	(2,209,243)	2,509,577
Depreciation, amortization and impairment losses		646,011	657,414	28,865	1,332,290
Fair market value adjustment		-	-	(121,215)	(121,215)
Interest and bank charges		322,418	453,178	207,416	983,012
Loss (gain) on sale of property, plant and equipment		67,555	(9,600)	(3,357)	54,598
Share-based payments		-	-	182,018	182,018
Income (loss) before taxes	$	2,763,757 $	(181,913)$	(2,502,970)$	78,874
Total identifiable assets	$	9,587,719 $	6,560,565 $	525,732 $	16,674,016

For the year ended December 31, 2011, the Company generated 37% of revenue from two customers (21% from one customer in the utilities/infrastructure construction and 16% from one customer in the equipment rental division). No other customers comprise more than 10% of revenues.

(i) EBITDAS represents earnings or loss before interest, income taxes, depreciation and amortization, and share-based payments. EBITDAS is not a standard measure that has any standardized meaning prescribed by *IFRS* and is considered to be a non-IFRS measure. Therefore, this measure may not be comparable to similar measures presented by other companies. This measure has been described and presented in the same manner in which the chief operating decision-maker makes operating decisions and assesses performance.

18. Post-reporting date events

On February 12, 2013, the Company closed a non-brokered private placement of 4,200,000 units of the Company at a price of $0.25 per unit for aggregate gross proceeds of $1,050,000. Each unit is comprised of one common share in the capital of the Company and one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of $0.35 for a period of six months from the closing of the offering, subject to accelerated expiry in certain circumstances.

On February 28, 2013, the Company signed a letter of intent to purchase the shares of a specialized underground infrastructure construction company with operations in Alberta. The purchase price is $12,000,000 and will be funded by cash, debt financing and vendor take-back financing. The Company expects to close this transaction on or before May 1, 2013.

On March 26, 2013, the Company entered into a financing arrangement to raise gross proceeds of approximately $6,000,000. The financing is expected to consist of unsecured convertible debentures with an annual coupon of 6%. The debentures will have a two-year term and will be convertible into common shares at a price of $0.50 per share. Proceeds will be used to facilitate the closing of the Company’s pending infrastructure acquisition. The Company expects to close this financing on or about April 25, 2013.