ENTERPRISE GROUP, INC.

Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

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, 2014

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

Independent Auditor's 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, 2013 and December 31, 2012 and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years then ended, 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, 2013 and December 31, 2012 and its financial performance and its cash flows for the years ended December 31, 2013 and December 31, 2012 in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Edmonton, Canada

March 27, 2014

Chartered Accountants

Consolidated Statements of Financial Position

As at December 31		**2013**		2012
Assets				
Cash and cash equivalents	**$**	**4,568,288**	$	1,151,616
Trade and other receivables (note 4a)		**7,995,050**		6,076,583
Unbilled revenue		**2,683,241**		414,498
Inventories (note 5)		**1,248,451**		591,206
Deposits and prepaid expenses		**2,484,648**		659,417
		18,979,678		8,893,320
Property, plant and equipment (note 6)		**32,858,230**		15,899,329
Investment property (note 7)		**3,565,000**		-
Goodwill (note 8)		**4,758,304**		1,558,530
Intangible assets (note 9)		**3,769,612**		1,213,785
Marketable securities (note 10)		**-**		16,000
Deferred tax assets (note 11)		**2,946,484**		869,468
		47,897,630		19,557,112
Total assets	**$**	**66,877,308**	$	28,450,432
Liabilities				
Trade and other payables	**$**	**6,401,932**	$	1,528,819
Income taxes payable		**389,712**		
Current portion of loans and borrowings (note 12)		**2,510,112**		924,801
		9,301,756		2,453,620
Long term portion of notes and borrowings (note 12)		**23,812,918**		12,371,887
Deferred tax liabilities (note 11)		**4,217,338**		1,599,212
Total liabilities		**37,332,012**		16,424,719
Equity				
Share capital		**36,650,333**		25,921,249
Warrants (note 14b)		**453,916**		310,797
Convertible debenture		**221,242**		-
Contributed surplus		**2,734,634**		2,106,922
Deficit		**(10,514,829)**		(16,297,255)
Accumulated other comprehensive loss		**-**		(16,000)
Total equity		**29,545,296**		12,025,713
Total equity and liabilities	**$**	**66,877,308**	$	28,450,432

Approved on behalf of the Board:

(Signed) "Leonard D. Jaroszuk" Director

(Signed) "John Pinsent, FCA, 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	2013	2012
Revenue	**$ 34,849,266**	$ 18,504,028
Direct expenses	**(19,536,846)**	(10,841,831)
Gross margin	**15,312,420**	7,662,197
General and administrative expenses	**(6,575,950)**	(3,059,465)
Acquisition costs (note 3)	**(374,330)**	(259,183)
Depreciation of property, plant and equipment	**(2,357,085)**	(1,299,399)
Finance expense	**(1,339,015)**	(411,290)
Share-based payments	**(804,142)**	(145,336)
Amortization of intangible assets	**(314,172)**	(165,012)
Loss on sale of property, plant and equipment	**(64,440)**	(191,849)
Fair value adjustment on investment property (note 7)	**1,515,000**	-
Other income	**22,699**	8,259
Income before income tax	**5,020,985**	2,138,922
Income tax		
Income tax recovery (note 11)	**761,441**	349,666
Net income	**$ 5,782,426**	$ 2,488,588
Other comprehensive loss		
Unrealized loss on marketable securities	**-**	(12,000)
Other comprehensive loss	**$ -**	$ (12,000)
Net income and comprehensive income	**$ 5,782,426**	$ 2,476,588
Earnings per share (note 15)		
Basic earnings per share	**$ 0.08**	$ 0.04
Diluted earnings per share	**$ 0.08**	$ 0.04

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

Consolidated Statements of Cash Flows

Years ended December 31	2013	2012
Cash flows from operating activities:		
Income before income tax	**$ 5,020,985**	$ 2,138,922
Adjustments for:		
Depreciation of property, plant and equipment	**2,357,085**	1,299,399
Amortization of intangible assets	**314,172**	165,012
Loss on sale of property, plant and equipment and other assets	**64,440**	191,849
Share-based payments	**804,142**	145,336
Fair value adjustment	**(1,515,000)**	-
Finance expense	**1,339,015**	411,290
Change in non-cash working capital (note 17)	**1,191,961**	(2,433,801)
Net cash provided by operating activities	**9,576,800**	1,918,007
Cash flows from financing activities:		
Decrease in bank indebtedness	**-**	(962,200)
Proceeds from bank loan facility	**4,740,446**	10,657,429
Proceeds from other term loan facility	**-**	1,501,100
Proceeds from convertible debenture	**5,999,000**	-
Proceeds of mortgage facility	**1,500,000**	390,000
Interest and borrowing costs paid on loans and borrowings	**(1,405,852)**	(823,879)
Repayment of term loan	**(319,983)**	(1,452,344)
Repayment of other term loan facilities	**-**	(50,474)
Repayment of other loans payable	**-**	(405,009)
Repayment of vendor take-back loans	**(520,000)**	-
Repayment of bank loan	**-**	(1,620,000)
Repayment of finance lease liabilities	**(171,145)**	(418,290)
Repayment of mortgage facility	**(73,792)**	(401,948)
Private placement of issuance of common shares	**5,172,000**	-
Share issue costs	**(556,803)**	-
Stock options exercised	**421,500**	15,000
Warrants exercised	**3,147,035**	13,333
Net cash provided by financing activities	**17,932,406**	6,442,718
Cash flows from investing activities:		
Cash paid for acquisition of subsidiary, net of cash acquired (note 3)	**(12,708,000)**	(4,598,591)
Purchase of property, plant and equipment	**(9,465,448)**	(3,225,561)
Proceeds on sale of property, plant and equipment	**130,914**	257,840
Purchase of investment property (note 7)	**(2,050,000)**	-
Net cash used by investing activities	**(24,092,534)**	(7,566,312)
Change in cash and cash equivalents	**3,416,672**	794,413
Cash and cash equivalents, beginning of year	**1,151,616**	357,203
Cash and cash equivalents, end of year	**$ 4,568,288**	$ 1,151,616

	Number of Common shares	Share capital	Warrants	Contributed surplus	Convertible Debenture	Accumulated other comprehensive loss	Deficit	Total
Balance 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	-	-	-	165,200	-	-	-	165,200
Issuance of common shares	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
Issuance of common shares on acquisition (note 3)	727,908	500,000	-	-	-	-	-	500,000
Private placements	12,787,586	4,590,743	550,483	-	-	-	-	5,141,226
Stock options exercised	2,750,000	597,930	-	(176,430)	-	-	-	421,500
Share issue costs, net of tax	-	(394,522)	-	-	-	-	-	(394,522)
Warrants exercised	11,772,145	3,979,933	(832,898)	-	-	-	-	3,147,035
Issuance of broker warrants (note 14b)	-	-	425,534	-	-	-	-	425,534
Issuance of convertible debenture - equity portion	-	-	-	-	300,395	-	-	300,395
Conversion of convertible debentures	2,910,000	1,455,000	-	-	(79,153)	-	-	1,375,847
Sale of marketable securities	-	-	-	-	-	16,000	-	16,000
Share-based payments	-	-	-	804,142	-	-	-	804,142
Net income	-	-	-	-	-	-	5,782,426	5,782,426
Balance as at December 31, 2013	87,881,002	$36,650,333	$453,916	$2,734,634	$221,242	$-	$(10,514,829)	$29,545,296

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 and to provide tunnelling services. 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. Enterprise's head office is located at #2, 64 Riel Drive, St. Albert, Alberta, T8N 4A4.

The financial statements of the Company as at December 31, 2013, and December 31, 2012, are comprised of the Company and its wholly owned subsidiaries. The consolidated financial statements were authorized for issue by the Board of Directors on March 27, 2014.

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 investment properties and certain 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., Artic Therm International Ltd., Calgary Tunnelling & Horizontal Augering Ltd. and Pro Tech Construction Inc. The financial statements of subsidiaries are consolidated from the date that control commences until the date that control ceases. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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.

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 and warrants using the Black-Scholes Option Pricing Model. Certain key assumptions used in the model include the expected interest rate, expected volatility, forfeitures, dividend yield and expected term.

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

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

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

v. Business combinations
In a business combination, the Company may acquire assets and assume certain liabilities of an acquired entity. Estimates are made as to the fair value of property, plant and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property, plant and equipment, intangible assets and goodwill 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.

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

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

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 prices in active markets for identical assets or liabilities that can be accessed at the measurement date.

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

Level 3 - Fair value measurements based on unobservable inputs.

Cash and cash equivalents

Cash and cash equivalents include balances with Canadian Chartered Banks and short-term investments with original maturities of three months or less. Short-term investments with original maturities beyond three months are pledged as collateral against the Company's operating credit cards and are included in deposits.

Inventories

Inventories of parts and supplies 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.

One entity of the Company measures inventory using the average cost method. Average cost is computed by dividing the total cost of goods available for sale by the total units available for sale.

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 not calculated for assets under construction until work is completed and the assets are put into use. 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	- Straight-line over term

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.

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.

Investment property

Investment property is measured initially at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Related fair value gains and losses arising from changes in the fair values are recorded in the statements of operations and comprehensive income in the period in which they arise. The fair value is determined by a formal independent appraisal completed at least once per year. The last formal appraisal was September 30, 2013.

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, from the date of issuance, over their estimated life of seven years.

Share-based payments

The fair value of stock options and warrants 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 and warrants that vest. Consideration received on the exercise of stock options and warrants 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.

Revenue recognition

Revenue from projects under unit price contracts, cost plus contracts and 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 unbilled revenues.

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, share purchase warrants and convertible debentures.

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.

For certain categories of financial assets, such as accounts receivable, the Company assesses for evidence of impairment at the specific asset level.

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 flows 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.

Changes in accounting policies

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. IFRS 10 revises the definition of control and provides extensive new guidance on its application. The Company has reviewed its control assessments and has concluded there is no impact of this new standard on its financial statements.

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. The Company has reviewed this new standard and there is no impact on its financial statements.

IFRS 13 - Fair value measurement

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be measured at fair value. The Company has reviewed this new standard and concluded there is no significant impact on its financial statements as the Company already is measuring the required financial statement items at fair value.

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, 2014 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 when completed will replace IAS 39 "Financial Instruments: Recognition and Measurement. The effective date has been left open pending finalization of the remaining chapters. The Company does not expect to implement IFRS 9 until it has been completed and its overall impact can be assessed.

IFRIC 21 - Levies

This is an interpretation of IAS 37 "Provisions for contingent liabilities and contingent assets." and is effective for annual periods beginning on or after January 1, 2014. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event. The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This amendment is not expected to have any impact on the Company's financial statements.

3. Business acquisitions

Calgary Tunnelling & Horizontal Augering Ltd.

On June 14, 2013, the Company acquired all of the issued and outstanding common shares of Calgary Tunnelling & Horizontal Augering Ltd. ("CTHA"), a privately held underground infrastructure construction company, for an aggregate purchase price of $12,000,000 plus working capital. The fair value of of the total consideration paid was $15,722,000. The acquisition of CTHA 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 CTHA have been included in the consolidated financial statements from the date of acquisition. Goodwill acquired with CTHA comprises the value of expected synergies arising from the acquisition and the expertise and reputation of the assembled workforce. In addition to the consideration paid at closing, the final purchase price was subject to adjustment based on working capital and inventory. This adjustment resulted in additional acquisition consideration receivable of $44,050, which was outstanding at December 31, 2013. Goodwill and intangible assets acquired are $6,069,774 and the goodwill 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	$	4,185,000
Property, plant and equipment		7,291,000
Customer relationship - estimated useful life of ten years (note 9)		2,870,000
Goodwill (note 8)		3,200,000
Deferred tax liability (note 11 (a))		(1,824,000)
Net assets acquired	$	15,722,000

The Company acquired the following in working capital:

Cash and cash equivalents	$	1,622,000
Trade and other receivables		2,121,000
Inventory		646,000
Trade and other payables		(204,000)
Fair value	$	4,185,000

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

Buildings	$	149,000
Computers and communication equipment		10,000
Small equipment		522,000
Light automotive equipment		550,000
Heavy automotive, construction and portable rental equipment		6,060,000
Fair value	$	7,291,000

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

Cash	$	14,330,000
Vendor take-back loans (note 12 (c))		892,000
Common shares - 727,908 shares with a fair value of $0.6869 per share based on share price at date of issue		500,000
Total consideration paid	$	15,722,000

The Company incurred acquisition costs of $374,300 which were expensed through the statement of income in 2013. Acquisition costs include due diligence, legal and consulting charges.

As at the date of acquisition, the gross contractual amount of accounts receivable acquired were $2,081,000 of which 100% were estimated to be collectable.

CTHA's revenues and net income for the period since acquisition were $8,465,000 and $2,162,000 respectively. Based on unaudited financial information available, management estimates that if the acquisition had occurred January 1, 2013, the Company's consolidated revenues and net income for the year would have been $39,809,000 and $6,594,000 respectively.

Artic Therm International Ltd.

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 $1,393,000 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 9)		350,284
Customer relationship - estimated useful life of ten years (note 9)		264,638
Goodwill		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

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		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 acquisition 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 ended December 31, 2012 since acquisition were $1,629,000 and $698,000 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 ended December 31, 2012 would have been $21,787,000 and $3,359,000 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 amounts presented in the balance sheet relate to the following categories of assets and liabilities.

	2013	2012
Financial assets		
Loans and receivables		
Cash and cash equivalents	**$4,568,288**	$1,151,616
Trade and other receivables	**7,995,050**	6,076,583
Available for sale		
Marketable securities	**-**	16,000
Financial liabilities		
Trade and other payables	**$6,401,932**	$1,528,819
Loans and borrowings	**26,323,030**	13,296,688

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

The Company has trade receivables from customers in the utilities/infrastructure construction industry, as well as customers in the oil and gas industry. Credit risk is mitigated due to significant customers being large industry leaders, 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, 2013 of $nil (2012 - $1,270).

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, (2012 - $nil) which is included in the $nil above (2012 - $nil, which is included in the $1,270 above).

At December 31, 2013, $925,000 or 12% of trade receivables was from one customer compared to as at December 31, 2012, $983,000 or 16% of trade receivables from one customer.

	December 31, 2013	December 31, 2012
Current (less than 90 days)	**$ 6,638,227**	$ 5,395,626
Past due (more than 90 days)	**1,356,823**	680,957
Total	**$ 7,995,050**	$ 6,076,583

Included in trade recievables past due (more than 90 days) is $398,000 (2012 - 320,000) of holdback receivables.

(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 at December 31, 2013, and December 31, 2012:

December 31, 2013	**Carrying amount**	**Contractual cash flows**	**Due within one year**	**Two-five years**	**More than five years**
Trade and other payables	$ 6,401,932	$ 6,401,932	$ 6,401,932	$ -	$ -
Long term loans and borrowings including current portion	26,323,030	28,977,648	3,827,516	23,885,266	1,264,866
Operating lease commitments	-	2,261,590	656,022	1,605,568	-
	$ 32,724,962	**$ 37,641,170**	**$ 10,885,470**	**$ 25,490,834**	**$ 1,264,866**

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	$ -

(d) Market risk

Market risk is the risk of 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, 2013, to impact the Company's annual interest expense by approximately $166,000 (2012 - $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 the risk of the underlying assets and makes adjustments in light of changes in economic conditions and risks. The Company's strategy remains unchanged from prior periods. Management considers its capital structure to include net debt and adjusted capital of the Company. Adjusted capital comprises all components of equity (share capital, contributed surplus, warrants, convertible debenture and deficit), other than amounts in accumulated other comprehensive income relating to the marketable securities.

The Company's objectives when managing capital are to finance its operations and growth strategies and to provide an adequate return to its shareholders. In order to maintain or adjust the capital structure, the Company may issue new shares, or sell assets to reduce debt.

There has been no change in the covenants since December 31, 2012. The Company is in compliance with all required covenants at December 31, 2013 (note 12).

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, 2013	December 31, 2012
Parts and supplies	$ 1,248,451	$ 591,206

Parts and supplies expensed in direct expenses during the year ended December 31, 2013 was $4,160,000 (2012 - $2,468,000) of which $63,000 (2012 - $nil) is attributed to inventory writedown.

6. Property, plant and equipment

Cost or deemed cost	Balance at December 31, 2012	Additions	Disposals	Balance at December 31, 2013
Land	$ 375,000	$ -	$ -	$ 375,000
Buildings	472,524	131,000	-	603,524
Leasehold improvements	126,930	58,712	-	185,642
Computers and communication equipment	147,174	84,305	-	231,479
Small equipment	1,991,104	620,482	(12)	2,611,574
Light automotive equipment	1,449,187	1,147,859	(154,682)	2,442,364
Heavy automotive, construction and portable rental equipment	18,135,248	16,221,089	(118,669)	34,237,668
Portable rental equipment under construction	-	1,215,941	-	1,215,941
	$ 22,697,167	**$ 19,479,388**	**$ (273,363)**	**$ 41,903,192**

	Accumulated depreciation				Carrying amounts	
	Balance at December 31, 2012	Depreciation for the year	Disposals	Balance at December 31, 2013	Balance at December 31, 2012	Balance at December 31, 2013
Land	$ -	$ -	$ -	$ -	$ 375,000	$ 375,000
Buildings	14,975	6,024	-	20,999	457,549	582,525
Leasehold improvements	124,055	10,595	-	134,650	2,875	50,992
Computers and communication equipment	96,290	25,643	-	121,933	50,884	109,546
Small equipment	834,652	213,212	-	1,047,864	1,156,452	1,563,710
Light automotive equipment	724,557	220,930	(99,540)	845,947	724,630	1,596,417
Heavy automotive, construction and portable rental equipment	5,003,309	1,880,681	(10,421)	6,873,569	13,131,939	27,364,099
Portable rental equipment under construction	-	-	-	-	-	1,215,941
	$ 6,797,838	**$ 2,357,085**	**$ (109,961)**	**$ 9,044,962**	**$15,899,329**	**$32,858,230**

Cost or deemed cost	Balance at December 31, 2011	Additions	Disposals	Reclassification	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	420,234	(228)	433,941	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	$ 8,785,293	$ (712,821)	$ 433,941	$ 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

Included in the carrying amount $32,858,230, is $1,215,941,(2012 - $nil), portable equipment under construction, which is not being depreciated as it is not yet available for use.

During 2012, 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 did 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.

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. Investment property

On June 19, 2013, Enterprise acquired all of the issued and outstanding common shares of Pro Tech Construction Inc. for total consideration of $2,050,000. This acquisition was not a business combination and the purchase price was allocated to the only asset acquired, which was investment property. The Company classified this asset as level 3 on the fair value hierarchy. On September 30, 2013, an independent professionally qualified appraiser valued the investment property at $3,565,000, as such the carrying value has been increased by $1,515,000 to agree to the valuation of $3,565,000 as reported.

The appraisal was carried out using the Direct Comparison Approach which involves comparing similar properties that have sold or are listed for sale, often on a unit basis, applying adjustments for differences between the properties. The significant unobservable input is the adjustment for factors specific to the property. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for the valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

8. Goodwill

Carrying amount of goodwill alllocated to each CGU		December 31, 2013	December 31, 2012
Artic Therm International Ltd. (ATI)	$	**1,558,530**	$ 1,558,530
Calgary Tunnelling & Horizontal Augering (CTHA)		**3,199,774**	-
	$	**4,758,304**	$ 1,558,530

At December 31, 2013, 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.

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, 2013 impairment test, the Company discounted its CGU's cash flows using an after-tax discount rates as follows: CTHA 18.75% (2012 - n/a) and ATI 19.2% (2012 - 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 value-in-use 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 100% over 5 years.

As at December 31, 2013, 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.

9. Intangible assets

Cost or deemed cost	Balance at December 31, 2011	Additions	Balance at December 31, 2012	Additions (note 3)	Balance at December 31, 2013
Patent	$ -	$ 350,284	$ 350,284	$ -	$ 350,284
Customer relationships	1,455,000	264,638	1,719,638	2,870,000	4,589,638
	$ 1,455,000	**$ 614,922**	**$ 2,069,922**	**$ 2,870,000**	**$ 4,939,922**

	Accumulated amortization					Carrying amounts	
Amortization and impairment losses	Balance at December 31, 2011	Amortization for the year	Balance at December 31, 2012	Amortization for the year	Balance at December 31, 2013	Balance at December 31, 2012	Balance at December 31, 2013
Patent	$ -	$ 16,026	$ 16,026	$ 38,185	$ 54,211	$ 334,259	$ 296,073
Customer relationships	691,126	148,986	840,112	275,987	1,116,099	879,526	3,473,539
	$ 691,126	**$ 165,012**	**$ 856,138**	**$ 314,172**	**$ 1,170,310**	**$ 1,213,785**	**$ 3,769,612**

10. Marketable securities

	December 31, 2013		December 31, 2012	
	Cost	**Market**	Cost	Market
Samoth Oilfield Inc. - 400,000 common shares	**$-**	**$-**	$100,000	$16,000

The Company had $100,000 invested in 400,000 common shares of Samoth Oilfield Inc. ("Samoth"), a public company, incorporated May 8, 2006. Samoth is controlled by three directors of the Company. The investment in Samoth was classified as available-for-sale and also classified as a Level 1 financial instrument as its value is based on unadjusted quoted market prices. On September 30, 2013, the Company sold the investment in Samoth and recorded a loss of $12,000.

11. Income tax expense

Actual income tax provision differs from the expected amount calculated by applying the statutory provincial and federal income tax rates to income before tax. These differences result from the following:

	December 31, 2013	December 31, 2012
Income before income tax	**$ 5,020,985**	$ 2,138,922
Expected tax rate	**25.0 %**	25.0 %
	1,255,246	534,731
Rates differences	**(186,037)**	-
Non-deductible amounts	**213,301**	42,263
Other	**(3,057)**	-
Prior period adjustments	**49,763**	-
Change in unrecognized deferred tax assets	**(2,090,657)**	(926,660)
Income tax recovery	**$ (761,441)**	$ (349,666)

(a) Components of income tax expense are:

Years ended December 31		**2013**		2012
Current tax expense	**$**	**423,968**	$	-
Deferred tax expense				
Change in temporary differences		**2,582,089**		1,657,606
Recorded in OCI		**-**		1,500
Acquired in business combination		**(1,823,774)**		(1,082,994)
Recorded in equity		**97,251**		-
New deductible temporary differences, not recognized		**-**		63,694
Origination and reversal of temporary differences		**855,566**		639,806
Change in unrecognized deductible temporary differences		**(2,090,738)**		(989,472)
Prior period adjustments		**49,763**		-
		(1,185,409)		(349,666)
Income tax recovery	**$**	**(761,441)**	$	(349,666)

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

Years ended December 31		**2013**		2012
Deferred tax assets				
Marketable securities	**$**	**-**	$	2,000
Cumulative eligible capital		**1,504,190**		1,620,923
Intangible assets		**59,577**		-
Finance fees		**20,013**		-
Finance lease obligations		**721,918**		-
Share issue costs		**107,331**		10,080
Non-capital losses		**1,474,348**		(189,143)
Deferred tax assets		**3,887,377**		1,443,860
Offset by deferred tax liabilities below		**(940,893)**		(574,392)
Net deferred tax assets	**$**	**2,946,484**	$	869,468
Deferred tax liabilities				
Property, plant and equipment	**$**	**(4,303,317)**	$	(1,972,620)
Intangibles		**(824,185)**		(148,853)
Investment in partnership		**(17)**		(12)
Loans and borrowings		**(30,712)**		(52,119)
Deferred tax liabilities		**(5,158,231)**		(2,173,604)
Offset by deferred tax assets above		**940,893**		574,392
Net deferred tax liabilities	**$**	**(4,217,338)**	$	(1,599,212)
Net deferred tax liability	**$**	**(1,270,854)**	$	(729,744)

As at December 31, 2013, the Company has non-capital losses carried forward of $5,897,330 (December 31, 2012 - $8,013,860) available to reduce future taxable income which expire between 2028 and 2033. Deferred tax assets have not been recognized as at December 31, 2013 for deductible temporary differences of $157,276 (2012 - $nil) and tax losses of $8,369 (2012 - $2,192,609).

12. 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	**2013**	2012
Current loans and borrowings		
Current portion of vendor take-back loans	**$ 1,025,878**	$ 502,918
Term loan facilities	**332,118**	297,241
Current portion of finance lease liabilities	**1,051,189**	97,177
Current portion of mortgage facilities	**100,927**	27,465
Total current loans and borrowings	**2,510,112**	924,801
Non-current portion of loans and borrowings		
New bank loan facility	**15,187,137**	10,383,452
Vendor take-back loans	**492,601**	496,842
Convertible debenture	**4,050,780**	-
Term loan facilities	**596,435**	944,393
Finance lease liabilities	**1,836,837**	239,146
Mortgage facilities	**1,649,128**	308,054
Total non-current portion loans and borrowings	**23,812,918**	12,371,887
Total loans and borrowings	**$ 26,323,030**	$ 13,296,688

(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. On May 2, 2013, the Company increased its available bank loan facility from $12,500,000 to a maximum of $20,000,000, and a change in the capital expenditure covenant allowing the Company's 2013 capital expenditure program to grow from $3,000,000 to $11,000,000. All other terms and conditions of the facility have not changed. As at December 31, 2013, the Company is in compliance with the required covenants. The Company has drawn $15,397,875 less transaction costs of $210,738 at December 31, 2013, (2012 - $10,657,429 less transaction costs of $273,977) and the effective interest rate was 5.00% (2012 – 5.0%).

(b) Convertible debenture

On May 21, 2013, the Company completed a private placement of unsecured subordinated convertible debentures of the Company for gross proceeds of $5,999,000 less transaction costs of $472,998. The debentures have a two year term and bear contractual interest at 6% per annum payable June 30, 2013 and quarterly thereafter. The debentures are convertible into common shares of the Company at a price of $0.50 per share and have an effective rate of 13.2% per annum. All securities issued in connection with this offering were subject to a statutory four-month hold period from the date of issuance. At initial recognition, the Company allocated the proceeds between liability and equity. The allocation was performed by first estimating the fair value of the debentures which is the liability in absence of the conversion feature using a market rate of 9%. The Company then used the residual method to determine the value of the equity component represented by the conversion feature. The amounts allocated between equity and liability, net of transaction costs are $300,620 and $5,225,384 respectively. Subsequent to initial recognition, the liability component is amortized using the effective interest method. The equity component is not re-measured after initial recognition. Since May 2013, $1,455,000 of debentures were converted into common shares.

(c) Vendor take-back loans

In connection with the financing of the CTHA acquisition per note 3, the Company agreed to vendor take-back loans of a fair value of $892,000 (face value of $1,000,000). The loans bear interest at an effective rate of 8% (stated rate of prime (3%)) and are payable over two years. Principal payments will be $500,000 plus accrued interest on June 14, 2014 and 2015.

In connection with the financing of the acquisition of ATI in 2012, the Company agreed to vendor take-back loans payable in the total amount of $1,000,000 plus accrued interest to the sellers. The loans were recognized at the acquisition date at cost and bear interest at 4%. The first installment of $500,000 plus $20,000 accrued interest was paid on the first anniversary of the effective date of the purchase agreement of September 1, 2012. The second and final installment is due on the the second anniversary date.

(d) Term loan facilities

The Company has outstanding term loan facilities at December 31, 2013 of $928,553 (2012 - $1,241,634). 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.

	Date of origin	Original face value	Original fair value	Effective interest rate	Stated interest rate	Term of facility	Net book value of collateral	**Carrying value net of transaction costs 2013**	Carrying value net of transaction costs 2012
Term loan facility #1	Dec 2012	$1,091,100	$997,530	5.735%	0%	48 months	$1,247,990	**$ 708,255**	$ 919,216
Term loan facility #2	May 2012	410,000	380,047	5.475%	0%	48 months	431,067	**220,298**	322,418
								$ 928,553	$ 1,241,634

(e) Finance lease liabilities

The Company has outstanding lease liabilities on various equipment of $2,888,026 as at December 31, 2013 (2012 - $336,323). The leases bear interest from 0 - 10.89%, have cumulative monthly payments of $101,950 (2012 - $9,341) and mature at various times over the next 1 - 5 years. The leases are secured by specific equipment with a net book value of $3,072,582 (2012 - $386,947) of which $505,308 (2012 - $280,189) pertains to light automotive equipment and $2,567,274 (2012 - $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	$ 2,888,026	$ 1,051,189	$ 1,836,837	$ -
Interest	330,407	166,971	163,436	-
Future minimum lease payments	$ 3,218,433	$ 1,218,160	$ 2,000,273	$ -

(f) Mortgage facility

In connection with the acquisition of the investment property described in note 7, the Company obtained a demand mortgage facility in the amount of $1,500,000. The loan is repayable over 180 months and bears interest at prime plus 1% with monthly blended payments of $11,095. The mortgage is secured by a promissory note, first charge on the investment property and corporate guarantees. The lendor has waived the demand provision for the next 366 days after year end provided there are no events of default.

In 2012, the Company refinanced its previous mortgage facility. The outstanding balance at December 31, 2013 was $311,621 (2012 - $340,467) less transaction costs of $16,643 (2012 - $4,948). The facility has a $390,000 face value and a fair value of $352,415. 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 $589,655 (2012 - $592,241).

13. Share capital

Authorized:

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

14. 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, 2013	**Number**	**Weighted average exercise price**	**Weighted average remaining contractual life (months)**
Stock options, beginning of year	**4,550,000**	**$ 0.16**	9
Granted	**6,850,000**	**0.63**	31
Expired	**(275,000)**	**0.19**	-
Exercised	**(2,750,000)**	**0.15**	5
Forfeited	**(275,000)**	**0.21**	-
Stock options, end of year	**8,100,000**	**$ 0.56**	27
Exercisable stock options: December 31, 2013	**4,543,889**	**$ 0.41**	31

Outstanding stock options: December 31, 2012	Number	Weighted average exercise price	Weighted average remaining contractual life (months)
Stock options, beginning of year	4,320,000	$ 0.18	13
Granted	2,075,000	0.12	17
Expired	(1,445,000)	0.15	-
Exercised	(100,000)	0.15	7
Forfeited	(300,000)	0.15	-
Stock options, end of year	4,550,000	$ 0.16	9
Exercisable stock options: December 31, 2012	4,550,000	$ 0.16	9

For the year ended December 31, 2013, a forfeiture rate of 12.0% (2012 - 6.8%) is used when recording share-based compensation for options that vest over time. This estimate is adjusted to the actual forfeiture rate. The Company recorded share-based compensation expense of $804,142 for the year ended December 31, 2013 (2012 - $145,336).

The weighted average fair value of options granted during the year ended December 31, 2013 was $0.30 (2012 - $0.07) estimated using the Black-Scholes Option Pricing Model, under the following assumptions:

	2013	2012
Expected term	**1-3 years**	1 - 2 years
Risk-free interest	**1.09 - 1.20%**	1.03 - 1.23%
Expected dividends	**nil**	nil
Expected volatility	**80 - 93%**	75 - 97%
Forfeiture rate	**nil% - 12%**	6.8%

(b) Share purchase warrants

	December 31, 2013			December 31, 2012		
	Weighted average exercise price	**Number**	**Value**	Weighted average exercise price	Number	Value
Warrants, outstanding, beginning of year	**$ 0.21**	**7,218,331**	**$ 310,797**	$ 0.21	7,284,997	$313,710
Issued	**0.46**	**5,965,355**	**976,017**	-	-	-
Exercised	**0.27**	**(11,772,145)**	**(832,898)**	0.20	(66,666)	(2,913)
Warrants, outstanding, end of year	**$ 0.76**	**1,411,541**	**$ 453,916**	$ 0.21	7,218,331	$310,797

On December 13, 2013, the Company closed an overnight marketed public offering (the Offering) of subscription receipts of the Company (Note 19). On January 3, 2014, proceeds from the offering were released from escrow and the 20,835,000 subscription receipts, at a price of $0.72 per subscription receipt for aggregate gross proceeds of $15,001,200, were converted into 20,835,000 common shares and 10,417,500 common share purchase warrants.

In addition, the Company issued to the Underwriters 1,250,100 of non-transferable common share purchase warrants (broker warrants) equal to 6% of the total number of subscription receipts issued pursuant to the Offering. Each broker warrant will entitle the holder thereof to acquire one common share at an exercise price of $0.80 per share for a period of 24 months following closing of the Offering. The broker warrants were valued at $425,534 using the Black-Scholes Option Pricing Model.

The fair value of the broker warrants was estimated using Black-Scholes Option Pricing Model with the following weighted average inputs.

	2013
Share price	$0.79
Exercise price	0.80
Expected term	24 months
Risk-free interest	1.07%
Expected dividends	nil
Volatility	80%

On May 28, 2013, the Company closed a brokered private placement issuing 8,587,586 common shares of the Company at a price of $0.48 per share for aggregate gross proceeds of $4,122,000. The Company also issued to the agents 515,255 common share purchase warrants (broker warrants). Each broker warrant entitles the holder to acquire one common share at a price of $0.49 per share at any time prior to the date that is 12 months from closing. The broker warrants were valued at $90,686 using the Black-Scholes Option Pricing Model.

The fair value of the broker warrants was estimated using Black-Scholes Option Pricing Model with the following weighted average inputs.

	2013
Share price	$0.56
Exercise price	0.49
Expected term	12 months
Risk-free interest	1.09%
Expected dividends	nil
Volatility	66%

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 per warrant. The common share purchase warrants expired on August 12, 2013, subject to accelerated expiry in certain circumstances. The private placement included 310,000 units issued to related parties of the Company. The warrants were valued at $459,797 using the Black-Scholes Option Pricing Model.

The fair value of the warrants was estimated using Black-Scholes Option Pricing Model with the following weighted average inputs.

	2013
Share price	$0.43
Exercise price	0.35
Expected term	6 months
Risk-free interest	1.13%
Expected dividends	nil
Volatility	55%

15. 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 are:

Years ended December 31	**2013**	2012
Weighted average common shares outstanding – basic	**74,138,301**	55,452,854
Effect of stock options and warrants	**1,614,641**	733,333
Weighted average common shares – diluted	**75,752,942**	56,186,187
Net income	**$5,782,426**	$2,488,588
Basic earnings per share	**$0.08**	$0.04
Diluted earnings per share	**$0.08**	$0.04

In calculating diluted earnings per common share for the year ended December 31, 2013, the Company excluded 8,100,000 stock options, the convertible debentures and nil warrants (2012 – 975,000 stock options and 7,218,331 warrants respectively, as their impact was anti-dilutive.)

16. Related party transactions

The Company has entered into various transactions in the normal course of business with corporations controlled by officers and directors of the Company and corporations that have common ownership. These transactions were recorded at the exchange amount established and agreed to by the parties.

Years ended December 31	**2013**	2012
Rental of premises	**$-**	$56,000
Rental / purchase of equipment	**523,042**	303,750
Management and consulting fees	**728,555**	570,550
	$1,251,597	$930,300

During the first quarter of 2013, the Company advanced $100,000 to a corporation controlled by two officers, three directors and a former director of the Company. The note beared interest at 12% per annum. The Company was repaid in full during the third quarter and the balance outstanding at December 31, 2013, is $nil. The Company earned $6,313 of interest during the life of the note.

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 compensation

Years ended December 31	2013	2012
Salaries and directors' fees	**$1,026,917**	$887,145
Share-based payments	**566,135**	98,932
	$1,593,052	$986,077

17. Supplemental cash flow information

Years ended December 31	2013	2012
(a) Changes in non-cash working capital:		
Trade and other receivables	**$202,533**	$(1,183,015)
Unbilled revenue	**(2,268,743)**	523,736
Inventories	**(11,245)**	10,304
Deposits and prepaid expenses	**(1,399,697)**	(335,650)
Trade and other payables	**4,669,113**	(1,449,176)
	$1,191,961	$(2,433,801)
(b) Other non-cash transactions:		
Inventories reclassified to property, plant and equipment	**$-**	$433,941
Equipment purchased under finance leases	**2,722,892**	293,790
	$2,722,892	$727,731

18. 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 ended December 31, 2013		**Utilities/ infrastructure construction**	**Equipment rental**	**Corporate**		**December 31, 2013**
Revenues	$	26,622,211 $	8,227,055 $	-	$	34,849,266
EBITDAS [1]		10,373,477	3,780,998	(4,174,106)		9,980,369
Depreciation and amortization		1,173,533	1,440,687	57,037		2,671,257
Interest and bank charges		441,746	799,328	178,471		1,419,545
Loss (gain) on sale of property, plant and equipment		40,240	24,200	-		64,440
Share-based payments		-	-	804,142		804,142
Income (loss) before taxes	**$**	**8,717,958 $**	**1,516,783 $**	**(5,213,756)**	**$**	**5,020,985**
Total assets	**$**	**36,718,521 $**	**21,490,556 $**	**8,668,231**	**$**	**66,877,308**

For the year ended December 31, 2013, the Company generated 30% of revenue from one customer in the utilities/infrastructure construction division. No other customers comprise more than 10% of revenues.

Year ended ended December 31, 2012		**Utilities/ infrastructure construction**	**Equipment rental**	**Corporate**		**December 31, 2012**
Revenues	$	15,247,584 $	3,256,444 $	-	$	18,504,028
EBITDAS [1]		5,300,229	994,412	(1,962,474)		4,332,167
Depreciation and amortization		588,287	836,009	40,115		1,464,411
Fair market value adjustment		(36,987)	(64,535)	(6,959)		(108,481)
Interest and bank charges		210,170	207,795	82,164		500,129
Gain 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 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 one customer in the utilities/infrastructure construction division. No other customers comprise more than 10% of revenues.

(1) 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.

19. Post-reporting date events

On January 3, 2014, the Company completed the acquisition of Hart Oilfield Rentals Ltd., a private oilfield equipment service provider, for a purchase price of $22.6 million (the Acquisition) subject to closing adjustments. The Acquisition purchase price was paid through a combination of net proceeds from an overnight marketed public offering (the Offering) of 20,835,000 subscription receipts of the Company, the issuance of 1,388,890 common shares of the Company at a deemed price of $0.72 per share, funds available from the Company's credit facility and cash on hand. In connection with the Acquisition on January 3, 2014, the gross proceeds from the Offering were released from escrow and the 20,835,000 subscription receipts were converted into 20,835,000 common shares and 10,417,500 common share purchase warrants.

The Company closed the above offering on December 20, 2013 and issued 20,835,000 subscription receipts at a price of $0.72 per subscription receipt for aggregate gross proceeds of $15,001,200. The Offering was completed through a syndicate of underwriters led by Canaccord Genuity Corp. and including GMP Securities L.P., M Partners Inc. and PI Financial Corp. Each subscription receipt entitled the holder to receive, without payment of any additional consideration, one common share of the Company (Common Share) and one-half of one common share purchase warrant of the Company (Warrant) upon the Company being in position to close the Acquisition described above. Each whole Warrant will entitle the holder thereof to purchase one Common Share at a price of $1.00 for a period of 24 months following closing of the Offering. In addition, the Company has issued to the underwriters that number of non-transferable Common Share purchase warrants ("Broker Warrants") equal to 6% of the total number of subscription receipts issued pursuant to the Offering. Each Broker Warrant will entitle the holder thereof to acquire one Common Share at an exercise price of $0.80 per share for a period of 24 months following closing of the Offering.

On January 3, 2014, in conjunction with the close of the above acquisition, the Company accepted a term sheet presented by PNC Bank Canada Branch ("PNC") to increase its current senior secured finance facility from $20 million to a maximum of $35 million, subject to certain borrowing base restrictions, at the existing interest rate of prime plus 2%.

On March 25, 2014, the Company completed a bought deal equity financing of 27,600,000 common shares of the Company, which includes 3,600,000 Common Shares issued pursuant to the exercise in full of the over-allotment option, at a price of $1.00 per common share for aggregate gross proceeds of $27,600,000. The Company has issued to the Underwriters 1,380,000 broker warrants. Each broker warrant will entitle the holder to acquire one common share at an exercise price of $1.00 per share for a period of 24 months from the date of closing. The net proceeds will be used to accelerate the Company's capital expenditure program, as well as for general working capital purposes.