



Consolidated Interim Financial Statements

(Unaudited)

**For the three and nine months ended September 30, 2011 and 2010**

**Contents**

<b>Continuous Disclosure Obligations Notice</b>	<b>1</b>
<b>Consolidated Financial Statements</b>	
Consolidated Statements of Financial Position	2
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)	3
Consolidated Statements of Cash Flows	4
Consolidated Statements of Changes in Equity	5
Notes to Unaudited Consolidated Interim Financial Statements	6 - 29

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**National Instrument 51-102  
Continuous Disclosure Obligations  
Notice**

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Pursuant to Part 4.3 (3) of National Instrument 51-102, these unaudited consolidated interim financial statements of Enterprise Oilfield Group, Inc. for the three and nine month periods ended September 30, 2011 have not been reviewed by the Company's external auditors.

**ENTERPRISE OILFIELD GROUP, INC.**  
**Consolidated Interim Statements of Financial Position**  
**(Unaudited)**

	September 30, 2011	December 31, 2010 (note 14)
<b>Assets</b>		
Cash and cash equivalents	\$ 6,210	\$ 392,032
Trade and other receivables	4,266,382	2,729,006
Unbilled revenue	370,104	196,320
Inventories	1,338,306	714,846
Deposits and prepaid expenses	335,968	216,030
<b>Total current assets</b>	<b>6,316,970</b>	<b>4,248,234</b>
<b>Property, plant and equipment (note 6)</b>	<b>8,528,411</b>	<b>9,531,420</b>
<b>Intangible assets (note 7)</b>	<b>800,250</b>	<b>909,375</b>
<b>Marketable securities</b>	<b>46,000</b>	<b>40,000</b>
<b>Total non-current assets</b>	<b>9,374,661</b>	<b>10,480,795</b>
<b>Total assets</b>	<b>\$ 15,691,631</b>	<b>\$ 14,729,029</b>
<b>Liabilities</b>		
Bank indebtedness (note 9)	\$ 1,385,197	\$ -
Trade and other payables	1,999,470	1,265,155
Term loan facility (note 9)	1,287,420	3,599,023
Bank loan facility (note 9)	1,696,928	-
Other loans payable (note 9)	433,586	1,048,482
Current portion of long term loans and borrowings (note 9)	661,299	229,596
<b>Total current liabilities</b>	<b>7,463,900</b>	<b>6,142,256</b>
<b>Long term loans and borrowings (note 9)</b>	<b>191,281</b>	<b>828,655</b>
<b>Total non-current liabilities</b>	<b>191,281</b>	<b>828,655</b>
<b>Total liabilities</b>	<b>7,655,181</b>	<b>6,970,911</b>
<b>Equity</b>		
Share capital (note 8)	25,577,893	24,945,961
Warrants (note 10 (b))	313,710	47,796
Contributed surplus	1,803,096	1,621,078
Deficit	(19,672,249)	(18,864,717)
Accumulated other comprehensive income	14,000	8,000
<b>Total equity</b>	<b>8,036,450</b>	<b>7,758,118</b>
<b>Total equity and liabilities</b>	<b>\$ 15,691,631</b>	<b>\$ 14,729,029</b>

Going concern uncertainty (note 2)

**ENTERPRISE OILFIELD GROUP, INC.**

**Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)**

**(Unaudited)**

**For the three and nine months ended September 30, 2011 and 2010**

	<b>Three months September 30, 2011</b>	<b>Three months September 30, 2010 (note 14)</b>	<b>Nine months September 30, 2011</b>	<b>Nine months September 30, 2010 (note 14)</b>
<b>Revenue</b>	\$ 4,811,670	\$ 3,426,404	\$ 11,658,412	\$ 11,617,967
Direct expenses	<b>(3,066,104)</b>	(2,970,859)	<b>(8,664,011)</b>	(10,671,543)
General and administrative expenses	<b>(791,151)</b>	(719,722)	<b>(2,404,922)</b>	(2,308,583)
Depreciation, amortization and impairment losses	<b>(371,196)</b>	(395,609)	<b>(1,031,633)</b>	(1,212,811)
Gain on sale of property, plant and equipment	<b>(39,391)</b>	(965)	<b>(35,110)</b>	23,371
Other income	<b>373,040</b>	24	<b>400,315</b>	3,124
	<b>916,868</b>	(660,727)	<b>(76,949)</b>	(2,548,475)
<b>Finance expenses</b>	<b>(173,385)</b>	(102,340)	<b>(730,583)</b>	(134,446)
<b>Income (loss) before income tax</b>	<b>743,483</b>	(763,067)	<b>(807,532)</b>	(2,682,921)
<b>Income tax</b>				
Deferred (expense) (note 12)	<b>(197,000)</b>	-	<b>(197,000)</b>	-
Deferred recovery (note 12)	<b>197,000</b>	220,000	<b>197,000</b>	755,000
<b>Income (loss) for the period</b>	<b>743,483</b>	(543,067)	<b>(807,532)</b>	(1,927,921)
<b>Other comprehensive income:</b>				
Unrealized gain on marketable securities	-	-	<b>6,000</b>	-
<b>Comprehensive income for the period</b>	-	-	<b>6,000</b>	-
<b>Income (loss) and comprehensive income (loss) for the period</b>	\$ <b>743,483</b>	\$ (543,067)	\$ <b>(801,532)</b>	\$ (1,927,921)
<b>Basic and diluted earnings (loss) per share</b>	\$ <b>0.01</b>	\$ (0.01)	\$ <b>(0.02)</b>	\$ (0.04)
<b>Weighted average number of basic and diluted common shares outstanding:</b>	<b>53,840,719</b>	48,681,700	<b>50,420,271</b>	48,681,700

**ENTERPRISE OILFIELD GROUP, INC.**  
**Consolidated Interim Statements of Cash Flows**  
**(Unaudited)**  
**For the nine months ended September 30, 2011 and 2010**

	Nine months September 30, 2011	Nine months September 30, 2010
<b>Cash flows from operating activities:</b>		
<b>Loss for the period</b>	<b>\$ (807,532)</b>	<b>\$(1,927,921)</b>
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	853,434	1,103,686
Amortization of intangible assets	109,125	109,125
Impairment losses of property, plant and equipment	69,074	-
Loss (gain) on sale of equipment	35,110	(23,371)
Share-based payments	182,018	76,520
Insurance proceeds from loss of inventories	(100,000)	-
Change in non-cash working capital (note 13)	(1,620,248)	436,255
Finance expenses	730,583	134,446
Deferred income tax recovery	-	(755,000)
<b>Net cash used in operating activities</b>	<b>(548,436)</b>	<b>(846,260)</b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in bank indebtedness	1,385,197	(550,021)
Proceeds from finance lease liabilities (note 9 (f))	144,952	683,551
Proceeds from bank loan facility (note 9 (d))	1,800,000	-
Proceeds of other loans payable (note 9 (g))	-	1,105,000
Interest paid on loans and borrowings	(623,015)	(134,446)
Repayment of term loan facility (note 9 (c))	(2,416,211)	(588,024)
Repayment of other loans payable (note 9 (g))	(614,895)	-
Repayment of bank loan facility (note 9 (d))	(90,000)	-
Repayment of finance lease liabilities (note 9 (f))	(197,657)	(185,062)
Repayment of mortgage facility (note 9 (e))	(169,000)	(25,298)
Private placement of issuance of common shares (note 8)	912,749	-
Share issue costs (note 8)	(14,903)	(12,696)
<b>Net cash provided by financing activities</b>	<b>117,217</b>	<b>293,004</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(378,739)	(828,200)
Proceeds on sale of equipment	246,136	177,634
Insurance proceeds relating to property, plant and equipment	178,000	-
<b>Net cash provided by (used in) investing activities</b>	<b>45,397</b>	<b>(650,566)</b>
<b>Change in cash and cash equivalents</b>	<b>(385,822)</b>	<b>(1,203,822)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>392,032</b>	<b>1,667,547</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$6,210</b>	<b>\$463,725</b>

**ENTERPRISE OILFIELD GROUP, INC.**  
**Consolidated Interim Statements of Changes in Equity**  
**(Unaudited)**  
**For the nine months ended September 30, 2011 and 2010**

	Number of Common shares	Share Capital	Warrants	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
<b>Balance at January 1, 2010</b>	48,681,700	\$24,945,961	\$78,009	\$1,364,017	-	\$(13,300,599)	\$13,087,388
Share issue costs	-	(12,696)	-	-	-	-	(12,696)
Share-based payments	-	-	-	76,520	-	-	76,520
Loss for the period	-	-	-	-	-	(1,927,921)	(1,927,921)
<b>Balance as at September 30, 2010</b>	48,681,700	\$24,933,265	\$78,009	\$1,440,537	-	\$(15,228,520)	\$11,223,291
<b>Balance as at December 31, 2010</b>	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	6,084,997	912,749	-	-	-	-	912,749
Share issue costs	-	(14,903)	-	-	-	-	(14,903)
Unrealized gain on marketable securities	-	-	-	-	6,000	-	6,000
Fair value of warrants issued	-	(265,914)	265,914	-	-	-	-
Share-based payments	-	-	-	182,018	-	-	182,018
Loss for the period	-	-	-	-	-	(807,532)	(807,532)
<b>Balance as at September 30, 2011</b>	54,766,697	\$25,577,893	\$ 313,710	\$ 1,803,096	\$14,000	\$(19,672,249)	\$8,036,450

Notes to Unaudited Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2011 and 2010

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**1. Reporting entity**

Enterprise Oilfield Group, Inc. ("Enterprise" or the "Company") was incorporated under the *Alberta Business Corporations Act* on March 23, 2004 and is a company domiciled in Canada. The Company is publicly traded on the TSX Exchange under the symbol "E", effective August 13, 2007. The Company is a construction services company operating in the energy, utility and transportation infrastructure industry.

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

The financial statements of the Company as at September 30, 2011 and December 31, 2010 and for the periods ended September 30, 2011 and 2010 are comprised of the Company and its wholly owned subsidiaries. The head office, principal address and registered and records office of the Company are located at #2, 64 Riel Drive, St. Albert, Alberta, T8N 4A4.

**2. Going concern uncertainty**

These unaudited consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (*IFRS*) and its interpretations adopted by the International Accounting Standards Board (IASB) on a going concern basis which contemplate that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments as they become due in the normal course of business.

Over the past two fiscal years, the Company has experienced net losses and negative cash flows from operations. The Company has incurred a net loss of \$807,532 for the nine months ended September 30, 2011 and a net loss of \$5,564,118 for the year ended December 31, 2010 and has a working capital deficit of \$1,146,930 at September 30, 2011 and \$1,894,022 at December 31, 2010.

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

In recognition of these circumstances, in May 2011, the Company entered into a financing arrangement with a Canadian chartered bank, securing a revolving line of credit of \$1,050,000. In October 2011, the line of credit was increased by \$500,000 to a capacity of \$1,550,000. The facility is secured by accounts receivable, a general security agreement on all assets of the Company and guarantees by the Company and an officer and director of the Company. The interest rate on the facility is lender prime plus 1.50% with interest payable monthly. The facility is scheduled for review on April 30, 2012.

On June 30, 2011, the Company completed a non-brokered private placement, consisting of 6,084,997 common shares at \$0.15 per share for gross proceeds of \$912,749 (note 8).



Notes to Unaudited Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2011 and 2010

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**2. Going concern uncertainty continued:**

In October 2011, the Company entered into a financing arrangement with a Canadian financial institution to secure a \$1,500,000 non-revolving term loan. Proceeds of the loan will be used to pay out the existing higher interest term loan facility and will reduce the Company's monthly principal and interest payments by approximately \$69,000. The facility is 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 facility will be at zero percent interest ("0%") with principal payments only for the first 24 months of the loan, and principal plus interest for the remaining 24 months of the loan. The annual interest rate during the interest period is 5.585%.

These undertakings, while significant, are not sufficient in itself to enable the Company to fund all aspects of its operations and accordingly, management is continuing to dispose of underutilized assets, streamline operations, actively seek merger opportunities and is pursuing other financing alternatives to fund the Company's operations so it can continue as a going concern. Management plans to secure necessary financing through the issue of new equity and/or debt instruments. Nevertheless, there is no assurance that these initiatives will be successful.

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

**3. Basis of preparation and adoption of IFRS**

The company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the company commenced reporting on this basis in its 2011 interim consolidated financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of *IFRS*.

These interim consolidated financial statements have been prepared in accordance with *IFRS* applicable to the preparation of interim financial statements, including *IAS 34, Interim Financial Reporting*, and *IFRS 1, First-time Adoption of International Financial Reporting Standards*. The accounting policies followed in these interim financial statements are the same as those applied in the Company's interim financial statements for the period ended March 31, 2011. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 14 discloses the impact of the transition to *IFRS* on the Company's reported equity as at September 30, 2010 and comprehensive losses for the three and nine months ended September 30, 2010, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010.

**4. Significant accounting policies**

The accounting policies applied in these condensed interim consolidated financial statements are based on *IFRS* effective for the year ended December 31, 2011, as issued and outstanding as of November 9, 2011, the date the Board of Directors approved the statements. Any subsequent changes to *IFRS* that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including transition adjustments recognized on change-over to *IFRS*.

The condensed interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010, and the Company's interim financial statements for the quarters ended March 31, 2011 and June 30, 2011 prepared in accordance with *IFRS* applicable to interim financial statements.

Notes to Unaudited Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2011 and 2010

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**4. Significant accounting policies continued:**

**Accounting standards issued but not yet applied**

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: *IFRS 9, Financial Instruments (IFRS 9)*, *IFRS 10, Consolidated Financial Statements (IFRS 10)*, *IFRS 11, Joint Arrangements (IFRS 11)*, *IFRS 12, Disclosure of Interests in Other Entities (IFRS 12)*, *IAS 27, Separate Financial Statements (IAS 27)*, *IFRS 13, Fair Value Measurement (IFRS 13)* and amended *IAS 28, Investments in Associates and Joint Ventures (IAS 28)*. Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

The following is a brief summary of the new standards:

***IFRS 9 – Financial Instruments***

*IFRS 9* was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and 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 9* also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in *IAS 39, Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

***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. Under existing *IFRS*, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. *IFRS 10* replaces *SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements*.

***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. Under existing *IFRS*, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. *IFRS 11* supersedes *IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers*.

***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 standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

Notes to Unaudited Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2011 and 2010

**4. Significant accounting policies continued:**

***IFRS 13 - Fair Value Measurement***

*IFRS 13* is a comprehensive standard for fair value measurement and disclosure requirements for use across all *IFRS* standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing *IFRS*, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

***Amendments to Other Standards***

In addition, there have been amendments to existing standards, including *IAS 27, Separate Financial Statements (IAS 27)*, and *IAS 28, Investments in Associates and Joint Ventures (IAS 28)*. *IAS 27* addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. *IAS 28* has been amended to include joint ventures in its scope and to address the changes in *IFRS 10 – 13*.

**5. Financial risk management**

The Company's activities expose it to a variety of financial risks that arise as a result of certain financial instruments held such as:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors oversees managements' establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

**(a) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from customers. This risk is elevated in the current year similar to the prior year due to the impact of the current credit market and economy on its customers. The Company's maximum exposure is the value of its accounts receivable. However, to mitigate this risk the Company regularly reviews customer credit limits.

**Trade and other receivables**

The Company has accounts receivable from customers in the oil and gas industry, as well as the utilities and infrastructure industries. Credit risk is mitigated due to significant customers being large industry leaders, following a program of credit evaluation and limiting the amount of customer credit where deemed necessary. The Company monitors accounts receivable monthly to identify any amounts which are past due and considers if they are impaired. This assessment is done on an invoice by invoice basis.

The Company does not anticipate any default as it transacts with creditworthy customers and management does not expect any losses from non-performance by these customers. As such a provision for doubtful accounts has not been recorded for September 30, 2011 or for December 31, 2010.

The majority of the accounts receivable relates to sub division underground utilities installation for large energy and utility providers and as such invoices outstanding over 90 days are not uncommon. Management is not aware of any uncollectable receivables in this category.

Notes to Unaudited Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2011 and 2010

5. Financial risk management continued:

Included in accounts receivable at September 30, 2011, was \$999,734 or 23% of total accounts receivable owing from three customers due to the significant contracts in progress at September 30, 2011. December 31, 2010 was \$1,687,965 or 62% from six customers.

At September 30, 2011 and December 31, 2010, the Company's maximum exposure to credit risk in this area was as follows:

	September 30, 2011	December 31, 2010
Current (less than 90 days)	\$ 3,895,714	\$ 2,316,257
Past due (more than 90 days)	370,668	412,749
Total	\$ 4,266,382	\$ 2,729,006

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

(b) Liquidity risk

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

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements at September 30, 2011:

Non-derivative financial liabilities:	Carrying amount	Contractual cash flows	Less than one year	One - two years	Two-five years	More than five years
Bank indebtedness	\$ 1,385,197	\$ 1,433,840	\$ 1,433,840	\$ -	\$ -	\$ -
Trade and other payables	1,999,470	1,999,470	1,999,470	-	-	-
Term loan facility	1,287,420	1,332,829	1,332,829	-	-	-
Bank loan facility (note 9 (d))	1,696,928	1,787,250	1,787,250	-	-	-
Other loans payable	433,586	458,586	458,586	-	-	-
Long term loans and borrowings including current portion	852,580	893,677	596,691	190,838	106,148	-
Operating lease commitments	-	169,502	152,493	17,009	-	-
	\$ 7,655,181	\$ 8,075,154	\$ 7,761,159	\$ 207,847	\$ 106,148	\$ -

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

Notes to Unaudited Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2011 and 2010

**5. Financial risk management continued:**

**(c) 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. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing returns. Management has assessed the effect of a 1% interest rate increase or decrease in the prime lending at September 30, 2011, rate to impact the Company's annual interest expense by approximately \$23,700. 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 (note 2). Management considers its capital structure to include net debt and adjusted capital of the Company, as reflected in the table below:

The Company's objectives when managing capital are:

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

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

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

	<b>September 30, 2011</b>	December 31, 2010
Total debt	\$ 4,270,514	\$ 5,705,756
Less: cash and cash equivalents	(6,210)	(392,032)
<b>Net debt</b>	<b>4,264,304</b>	5,313,724
Total equity	8,036,450	7,758,118
Less: amounts in accumulated other comprehensive income relating to marketable securities	(14,000)	(8,000)
<b>Adjusted capital</b>	<b>\$ 8,022,450</b>	\$ 7,750,118
<b>Net debt-to-adjusted capital ratio</b>	<b>0.53</b>	0.69

The decrease in the net debt-to-adjusted capital ratio during 2011 is the result of a reduction of net debt for the period ended September 30, 2011, as compared to the year ended December 31, 2010.

**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. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Notes to Unaudited Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2011 and 2010

5. Financial risk management continued:

(i) **Marketable securities**

The fair value of financial assets held as available-for-sale is determined by reference to their quoted closing bid price at the reporting date.

(ii) **Cash and cash equivalents, trade and other receivables, bank overdraft and trade and other payables**

The fair value of cash and cash equivalents, trade and other receivables, and trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At September 30, 2011 and 2010, the fair value of these balances approximated their carrying value due to their short term to maturity.

(iii) **Long-term debt and obligations under capital leases**

The fair values of the long-term debt and obligations under capital leases approximate their carrying values since their stated interest rates approximate market interest rates at September 30, 2011 and December 31, 2010.

(iv) **Loans payable**

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

6. Property, plant and equipment

Cost or deemed cost	Balance at December 31, 2010	Additions	Disposals	Balance at September 30, 2011
Land	\$ 375,000	\$ -	\$ -	\$ 375,000
Buildings	731,029	-	(284,000)	447,029
Leasehold improvements	115,885	-	-	115,885
Computers and communication equipment	127,363	3,267	-	130,630
Office furniture and equipment	360,967	600	(33,124)	328,443
Small tools and equipment	869,780	26,453	(105,922)	790,311
Light automotive equipment	1,070,064	21,826	(33,041)	1,058,849
Heavy automotive equipment	4,282,557	36,000	(169,644)	4,148,913
Construction equipment	6,464,576	290,593	(65,000)	6,690,169
	<b>\$ 14,397,221</b>	<b>\$ 378,739</b>	<b>\$ (690,731)</b>	<b>\$ 14,085,229</b>

**ENTERPRISE OILFIELD GROUP, INC.**

**Notes to Unaudited Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2011 and 2010**

**6. Property, plant and equipment continued:**

Depreciation and impairment losses	Balance at December 31, 2010	Depreciation for the period	Impairment losses	Disposals	Balance at September 30, 2011
Buildings	\$ 8,132	\$ 5,074	\$ -	\$ (4,548)	\$ 8,658
Leasehold improvements	107,672	5,126	-	-	112,798
Computers and communication equipment	113,033	8,041	-	-	121,074
Office furniture and equipment	223,732	16,169	-	(17,398)	222,503
Small tools and equipment	487,430	36,023	48,215	(105,922)	465,746
Light automotive equipment	399,000	198,286	1,215	(4,109)	594,392
Heavy automotive equipment	1,687,132	240,236	19,644	(79,644)	1,867,368
Construction equipment	1,839,670	344,472	-	(19,863)	2,164,279
	<b>\$ 4,865,801</b>	<b>\$ 853,427</b>	<b>\$ 69,074</b>	<b>\$ (231,484)</b>	<b>\$ 5,556,818</b>

Carrying amounts	Balance at December 31, 2010	Balance at September 30, 2011
Land	\$ 375,000	\$ 375,000
Buildings	722,897	438,371
Leasehold improvements	8,213	3,087
Computers and communication equipment	14,330	9,556
Office furniture and equipment	137,235	105,940
Small tools and equipment	382,350	324,565
Light automotive equipment	671,064	464,457
Heavy automotive equipment	2,595,425	2,281,545
Construction equipment	4,624,906	4,525,890
	<b>\$ 9,531,420</b>	<b>\$ 8,528,411</b>

**Amortization and impairment charge**

The depreciation and impairment of property, plant and equipment, and any eventual reversal thereof, are recognized in depreciation and amortization expense in the income statement.



**ENTERPRISE OILFIELD GROUP, INC.**

**Notes to Unaudited Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2011 and 2010**

**7. Intangible assets**

Cost or deemed cost	Balance at December 31, 2010	Additions	Balance at September 30, 2011
Customer relationships	\$ 1,455,000	\$ -	\$ 1,455,000

Amortization and impairment losses	Balance at December 31, 2010	Amortization for the period	Balance at September 30, 2011
Customer relationships	\$ 545,625	\$ 109,125	\$ 654,750

Carrying amounts	Balance at December 31, 2010	Balance at September 30, 2011
Customer relationships	\$ 909,375	\$ 800,250

**8. Share capital**

**Authorized:**

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

**Issued:**

Common shares	September 30, 2011		December 31, 2010	
	Shares	Amount	Shares	Amount
<b>Balance, beginning of period</b>	<b>48,681,700</b>	<b>\$24,945,961</b>	48,681,700	\$24,945,961
Private placement of issuance of common shares	<b>6,084,997</b>	<b>912,749</b>	-	-
Adjust warrants to fair market value	-	<b>(265,914)</b>	-	-
Share issue costs	-	<b>(14,903)</b>	-	-
<b>Balance, end of period</b>	<b>54,766,697</b>	<b>\$25,577,893</b>	48,681,700	\$24,945,961

On June 30, 2011, the Company completed a non-brokered private placement, consisting of 6,084,997 common shares at \$0.15 per share for gross proceeds of \$912,749.

In the placement, the common share unit holders received one common share purchase warrant equivalent to one common share at an exercise price of \$0.20 per warrant.

The common share purchase warrants expire June 30, 2012. The private placement includes 2,801,664 common shares issued with related parties of the Company.

The warrants were valued at \$265,914 using the Black- Scholes model.

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



Notes to Unaudited Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2011 and 2010

**9. 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.

		September 30, 2011	December 31, 2010
Current loans and borrowings:			
Bank indebtedness	(b)	\$ 1,385,197	\$ -
Term loan facility	(c)	1,287,420	3,599,023
Bank loan facility	(d)	1,696,928	-
Other loans payable	(g)	433,586	1,048,482
Current portion of finance lease liabilities		283,226	229,596
Current portion of mortgage facilities		378,073	-
Total current loans and borrowings:		5,464,430	4,877,101
Non-current portion of loans and borrowings:			
Finance lease liabilities	(f)	191,281	297,617
Mortgage facilities	(e)	-	531,038
Total non-current portion loans and borrowings:		191,281	828,655
Total loans and borrowings:		\$ 5,655,711	\$ 5,705,756

(a) **Terms and debt repayment schedule** - also see subsequent events note 16.

Principal repayment requirements on the loans and borrowings for the next five years (twelve month periods ending on September 30th) based on the Company's current repayment schedule are estimated as follows (also refer to note 9 (d)):

2012	2013	2014	2015	2016	Total
\$ 4,114,431	\$ 448,660	\$ 433,488	\$ 389,132	\$ 270,000	\$ 5,655,711

(b) **Bank indebtedness**

At September 30, 2011, the Company's bank indebtedness consisted of outstanding cheques of \$304,244 and a bank revolving line of credit facility with a utilized balance of \$1,080,953 and a limit of \$1,550,000 with an interest rate of lender prime plus 1.5%. The facility is secured by the specific trade accounts receivable aged current to 90 days with a carrying value of \$3,603,343.

(c) **Term loan facility**

In May 2011, the Company entered into a financing arrangement with a Canadian chartered bank to secure a \$1,800,000 non-revolving demand loan (note 9 (d)). Proceeds of the loan were used to pay down the term loan facility by \$1,800,000 to \$1,535,014 as at June 30, 2011.

As at September 30, 2011, \$1,710,000 of the term loan facility remains outstanding less transaction costs of \$13,072).

The non-revolving term loan facility bears interest at the rate of 24% per annum and was repayable in monthly installments of interest only to February 28, 2011. Commencing March 31, 2011 the facility was repayable in monthly installments of principal in the amount of \$83,333 plus interest, to June 30, 2011 and commencing July 31, 2011 the facility is repayable in monthly installments of principal in the amount of \$70,833 plus interest until fully repaid.

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

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

**ENTERPRISE OILFIELD GROUP, INC.**  
**Notes to Unaudited Consolidated Interim Financial Statements**  
**For the three and nine months ended September 30, 2011 and 2010**

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**9. Loans and borrowings (c) continued:**

As at September 30, 2011, \$1,322,290 remains outstanding less transaction costs of \$34,870 (December 31, 2010, \$3,738,500 remains outstanding less transaction costs of \$139,477).

The Company is in compliance with the terms of the loan at September 30, 2011 and at December 31, 2010.

**(d) Bank loan facility**

In May 2011, the Company entered into a financing arrangement with a Canadian chartered bank to secure a \$1,800,000 non-revolving demand loan. The facility is 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 is lender prime plus 2.0%. The loan is repayable over 60 months with principal payments of \$30,000 plus interest, commencing July 31, 2011. Proceeds of the loan were used to pay down the existing 24% term loan facility (note 9 (c)).

The Company is in compliance with all repayment terms and conditions. However, *IFRS 7 - Financial Instruments: Disclosures* require that the entire amount be shown as a current liability, to disclose the maximum level of exposure to credit risk on the filing date, as the lender has the ability to demand repayment.

Specific construction, automotive and other equipment with a net book value of \$2,494,924 has been pledged as collateral.

As at September 30, 2011, \$1,710,000 of the secured bank loan remains outstanding less transaction costs of \$13,072).

**(e) Mortgage facility**

Effective December 1, 2010 the Company refinanced its mortgages, comprised of two properties of land and buildings. The new facility in the original amount of \$559,000 bears interest at 10.25% per annum.

Commencing January 1, 2011 the facility was repayable in monthly installments of interest only in the amount of \$4,175 to June 1, 2011 and commencing July 1, 2011 the facility is repayable in monthly installments of interest only in the amount of \$3,331. The principal is due January 1, 2012.

In June 2011, the Company sold one property, a condominium building in the Town of Slave Lake. The proceeds from the sale were used to pay down the existing mortgage secured by two properties by \$169,000 to \$390,000 with the remaining proceeds of approximately \$131,000, applied towards closing costs and working capital.

As at September 30, 2011, the mortgage is secured by one property comprised of land and building with a net book value of \$595,474.

As at September 30, 2011, \$390,000 of the mortgage remains outstanding less transaction costs of \$11,928.

As at December 31, 2010, \$390,000 of the mortgage remains outstanding less transaction costs of \$27,961.

**(f) Finance lease liabilities**

The Company financed specific automotive and construction equipment with a total balance of \$474,508 as at September 30, 2011, (December 31, 2010 - \$ 527,213) bearing interest from 0% to 9.98%, with cumulative monthly payments of \$39,920 - maturing June 2015. Specific construction, automotive and other equipment with a net book value of \$906,306 has been pledged as collateral.

Included in finance lease liabilities for the nine months ended September 30, 2011, are \$141,149 (December 31, 2010 - \$119,969) of capital lease obligations.

Notes to Unaudited Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2011 and 2010

**9. Loans and borrowings continued:**

**(g) Other loans payable**

At September 30, 2011, the Company has the following other loans payable:

- \$nil of unsecured advances due to an unrelated party (December 31, 2010 - \$400,000). The advances were due on demand and non-interest bearing. The Company repaid \$400,000 of the advances prior to September 30, 2011.
- \$283,586 unsecured demand loan, bearing interest at 12% per annum due to a related company which is controlled by a director and an officer of the Company (December 31, 2010 - \$318,482).
- \$150,000 unsecured demand loan, bearing interest at 16% per annum due to a related company which is controlled by a member of management of the Company (December 31, 2010 - \$250,000).
- \$nil of unsecured demand loan, bearing interest at 10% per annum due to a related party which is controlled by a director and officer of the Company (December 31, 2010 - \$80,000). The Company repaid \$80,000 of the advances prior to September 30, 2011.

During the nine months ended September 30, 2011, the Company incurred interest expense in the amount of \$101,627 on the loans to related parties of which is \$8,586 is outstanding and included in loans payable at September 30, 2011.

**10. Share-based payments**

**(a) Stock Option Program (equity-settled)**

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

The table below sets out the changes in stock options, with their weighted average prices:

	September 30, 2011		December 31, 2010	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Stock options, outstanding, beginning of period	4,335,000	\$ -	3,480,000	\$ 0.51
Granted - January 9, 2011	400,000	0.18	-	-
Granted - March 1, 2011	115,000	0.25	-	-
Granted - June 4, 2011	1,780,000	0.15	-	-
Granted - July 20, 2011	650,000	0.15	-	-
Granted	-	-	1,075,000	0.20
Granted	-	-	630,000	0.25
Expired	(300,000)	(0.20)	-	-
Expired	(375,000)	(0.72)	-	-
Expired	(1,000,000)	(0.82)	-	-
Expired	(1,285,000)	(0.25)	-	-
Expired	-	-	(680,000)	(0.42)
Forfeited	-	-	(170,000)	(0.42)
Stock options, outstanding, end of period	4,320,000	\$ 0.18	4,335,000	\$ 0.41

**ENTERPRISE OILFIELD GROUP, INC.**

**Notes to Unaudited Consolidated Interim Financial Statements**  
**For the three and nine months ended September 30, 2011 and 2010**

**10. Share-based payments continued:**

<b>Exercisable stock options:</b>	<b>September 30, 2011</b>		<b>December 31, 2010</b>	
	<b>Number</b>	<b>Weighted average exercise price</b>	<b>Number</b>	<b>Weighted average exercise price</b>
Expiry date				
January 7, 2011	-	\$ 0.20	300,000	\$ 0.20
January 9, 2011	-	0.72	375,000	0.72
April 3, 2011	-	0.82	350,000	0.82
June 4, 2011	-	0.25	1,285,000	0.25
July 20, 2011	-	0.82	650,000	0.82
May 7, 2012	600,000	0.25	600,000	0.25
January 7, 2012	775,000	0.20	775,000	0.20
January 9, 2013	400,000	0.18	-	-
March 1, 2013	115,000	0.25	-	-
June 4, 2013	1,780,000	0.15	-	-
July 20, 2013	650,000	0.15	-	-
<b>Stock options, exercisable, end of period</b>	<b>4,320,000</b>	<b>\$ 0.18</b>	<b>4,335,000</b>	<b>\$ 0.41</b>

A forfeiture rate of 7.5% (2010 - 6.9%) is used when recording share-based compensation. This estimate is adjusted to the actual forfeiture rate.

The Company recorded share-based compensation expense of \$182,018 for the nine months ended September 30, 2011, relating to 650,000, 1,780,000, 115,000 and 400,000 stock options issued during the period which vested immediately on July 20, 2011, June 4, 2011, March 1, 2011 and January 9, 2011, respectively.

The Company recorded share-based compensation expense of \$226,848 for the year ended December 31, 2010, relating to 1,075,000 and 630,000 stock options issued during the year which vested immediately on January 7, 2010 and May 6, 2010, respectively.

The weighted average fair value of options granted during the period ended September 30, 2011 was \$0.06 (Year ended December 31 2010 - \$0.13) estimated using the Black-Scholes option pricing model, under the following assumptions:

	<b>July 2011</b>	<b>June 2011</b>	<b>March 2011</b>	<b>January 2011</b>	<b>May 2010</b>	<b>January 2010</b>
Expected term	2 years	2 years	2 years	2 years	2 years	2 years
Risk-free interest	1.52%	1.55%	1.69%	1.69%	1.44%	1.19%
Expected dividends	nil	nil	nil	nil	nil	nil
Expected volatility	93%	89%	94%	88%	105%	114%

**ENTERPRISE OILFIELD GROUP, INC.**

**Notes to Unaudited Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2011 and 2010**

**10. Share-based payments continued:**

**(b) Share purchase warrants (equity-settled)**

A summary of the warrants outstanding at September 30, 2011, is as follows:

			<b>Exercise price (\$)</b>	<b>Number</b>	<b>Value</b>	
Balance, beginning of period				<b>1,200,000</b>	\$ 47,796	
Issued during the period			0.20	<b>6,084,997</b>	265,914	
Balance, end of period				<b>7,284,997</b>	\$ 313,710	

  

<b>Expiry date</b>	<b>Issuance date</b>	<b>Type</b>	<b>Exercise price (\$)</b>	<b>Number</b>	<b>Value</b>	<b>Remaining contractual life (months)</b>
October 31, 2011	October 31, 2009	Common shareholder	0.17	1,200,000	\$ 47,796	4
June 30, 2013	June 30, 2011	Common shareholder	-	-	-	24
				<b>1,200,000</b>	\$ 47,796	

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

			<b>Exercise price (\$)</b>	<b>Number</b>	<b>Value</b>	
Balance, beginning of year				1,850,000	\$ 78,009	
Expired during the year						
December 31, 2010	December 30, 2009	Agent	0.17	(240,000)	(13,608)	
December 31, 2010	December 22, 2009	Agent	0.17	(410,000)	(16,605)	
Balance, end of year				1,200,000	\$ 47,796	

  

<b>Expiry date</b>	<b>Issuance date</b>	<b>Type</b>	<b>Exercise price (\$)</b>	<b>Number</b>	<b>Value</b>	<b>Remaining contractual life (months)</b>
October 31, 2011	October 31, 2009	Common shareholder	0.17	1,200,000	\$ 47,796	10

The fair value of the warrants was estimated using Black-Scholes model with the following weighted average inputs:

	<b>June 2011</b>
Share price	\$0.12
Exercise price	0.20
Expected term	2 years
Risk-free interest	1.58%
Expected dividends	nil
Volatility	92%

**ENTERPRISE OILFIELD GROUP, INC.**

**Notes to Unaudited Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2011 and 2010**

**11. Related party transactions**

In addition to the related party amounts described in notes 8 and 9 (g) , the Company has entered into various transactions with corporations that are controlled by officers and directors of the Company and corporations that either control the Company or have common ownership.

Related party transactions not otherwise disclosed are as follows:

The Company paid \$36,000 for premises rented for the Company's office in Slave Lake during the nine month period ended September 30, 2011 (Year ended December 31, 2010 - \$48,000) to a company controlled by a director.

The Company paid \$101,500 for the rental of equipment and a management fee of \$150,000 during the nine month period ended September 30, 2011 (Year ended December 31, 2010 - \$58,000) to a company controlled by a director.

The Company paid \$27,000 for the rental of yard premises in Innisfail, Alberta, during the nine month period ended September 30, 2011 (Year ended December 31, 2010 - \$nil) to a company controlled by a director.

The above related party amounts outstanding as at September 30, 2011 are \$nil.

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

**Key management personnel compensation comprised:**

	<b>Nine months September 30, 2011</b>	Nine months September 30, 2010	Year December 31, 2010
Salaries and directors' fees	\$ 640,511	\$ 655,096	\$ 870,303
Share-based payments	161,343	167,008	167,008
	<b>\$ 801,854</b>	<b>\$ 822,104</b>	<b>\$ 1,037,311</b>

**12. Deferred taxes**

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Accordingly, using tax rate of 26.5% enacted at the reporting date of November 9, 2011 , a provision has been recorded and offset by the same amount to represent the respective recovery.

**ENTERPRISE OILFIELD GROUP, INC.**

**Notes to Unaudited Consolidated Interim Financial Statements**  
**For the three and nine months ended September 30, 2011 and 2010**

**13. Changes in non-cash working capital**

	Nine months September 30, 2011	Nine months September 30, 2010
Trade and other receivables	\$(1,537,376)	\$1,120,101
Unbilled revenue	(173,784)	-
Inventories	(523,460)	(147,884)
Deposits and prepaid expenses	(119,938)	158,159
Trade and other payables	734,310	(694,121)
	<b>\$(1,620,248)</b>	<b>\$436,255</b>

**14. Transition to IFRS**

As stated in Note 3, the Company adopted *IFRS* effective January 1, 2011 with a transition date of January 1, 2010.

The Company followed the provisions of *IFRS 1, First-Time Adoption of International Financial Reporting Standards* in preparing its opening *IFRS* balance sheet. Certain of the Company's *IFRS* accounting policies used for this opening balance sheet differed from its Canadian GAAP policies applied at the same date. The resulting adjustments arose from events and transactions before the date of transition to *IFRS*. Therefore as required by *IFRS1*, those adjustments were recognized directly through retained earnings (or another category of equity where appropriate) as of January 1, 2010 in accordance with the general rules of *IFRS1* which is to apply *IFRS* retrospectively. This note explains the principal adjustments made in restating its Canadian GAAP statements.

ENTERPRISE OILFIELD GROUP, INC.

Notes to Unaudited Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2011 and 2010

14. Transition to IFRS continued:

Reconciliation of the consolidated statements of financial position from Canadian GAAP to IFRS –  
at the end of the reporting quarter September 30, 2010:

	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>Assets</b>			
Cash and cash equivalents	\$ 463,725	\$ -	\$ 463,725
Trade and other receivables	2,891,709	-	2,891,709
Inventories	854,039	-	854,039
Deposits and prepaid expenses	199,283	-	199,283
<b>Total current assets</b>	<b>4,408,756</b>	<b>-</b>	<b>4,408,756</b>
<b>Property, plant and equipment (note 14 (a))</b>	<b>10,012,934</b>	<b>678,827</b>	<b>10,691,761</b>
<b>Intangible assets</b>	<b>945,750</b>	<b>-</b>	<b>945,750</b>
<b>Marketable securities</b>	<b>32,000</b>	<b>-</b>	<b>32,000</b>
<b>Deferred tax assets (note 14 (h))</b>	<b>3,011,700</b>	<b>(157,000)</b>	<b>2,854,700</b>
<b>Total non-current assets</b>	<b>14,002,384</b>	<b>521,827</b>	<b>14,524,211</b>
<b>Total assets</b>	<b>\$ 18,411,140</b>	<b>\$ 521,827</b>	<b>\$ 18,932,967</b>
<b>Liabilities</b>			
Bank indebtedness (note 9)	\$ 2,813,509	\$ -	\$ 2,813,509
Trade and other payables	1,583,759	-	1,583,759
Other loans payable	1,105,000	-	1,105,000
Current portion of long term loans and borrowings	1,734,343	-	1,734,343
<b>Total current liabilities</b>	<b>7,236,611</b>	<b>-</b>	<b>7,236,611</b>
<b>Long term loans and borrowings</b>	<b>473,065</b>	<b>-</b>	<b>473,065</b>
<b>Total non-current liabilities</b>	<b>473,065</b>	<b>-</b>	<b>473,065</b>
<b>Total liabilities</b>	<b>7,709,676</b>	<b>-</b>	<b>7,709,676</b>
<b>Equity</b>			
Share capital	24,933,265	-	24,933,265
Warrants	78,009	-	78,009
Contributed surplus	1,446,295	5,758	1,440,537
Deficit	(15,756,105)	(527,585)	(15,228,520)
<b>Total equity</b>	<b>10,701,464</b>	<b>(521,827)</b>	<b>11,223,291</b>
<b>Total equity and liabilities</b>	<b>\$ 18,411,140</b>	<b>\$ (521,827)</b>	<b>\$ 18,932,967</b>



ENTERPRISE OILFIELD GROUP, INC.

Notes to Unaudited Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2011 and 2010

14. Transition to IFRS continued:

Reconciliation of the consolidated statements of financial position from Canadian GAAP to IFRS -  
at the end of the last reporting year under Canadian GAAP – December 31, 2010:

	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>Assets</b>			
Cash and cash equivalents	\$ 392,032	\$ -	\$ 392,032
Trade and other receivables	2,729,006	-	2,729,006
Unbilled revenue	196,320	-	196,320
Inventories	714,846	-	714,846
Deposits and prepaid expenses	216,030	-	216,030
<b>Total current assets</b>	<b>4,248,234</b>	<b>-</b>	<b>4,248,234</b>
<b>Property, plant and equipment (note 14 (a))</b>	<b>8,843,743</b>	<b>687,677</b>	<b>9,531,420</b>
<b>Intangible assets</b>	<b>909,375</b>	<b>-</b>	<b>909,375</b>
<b>Marketable securities</b>	<b>40,000</b>	<b>-</b>	<b>40,000</b>
<b>Total non-current assets</b>	<b>9,793,118</b>	<b>687,677</b>	<b>10,480,795</b>
<b>Total assets</b>	<b>\$ 14,041,352</b>	<b>\$ 687,677</b>	<b>\$ 14,729,029</b>
<b>Liabilities</b>			
Trade and other payables	\$ 1,265,155	\$ -	\$ 1,265,155
Term loan facility	3,599,023	-	3,599,023
Other loans payable	1,048,482	-	1,048,482
Current portion of long term loans and borrowings	229,596	-	229,596
<b>Total current liabilities</b>	<b>6,142,256</b>	<b>-</b>	<b>6,142,256</b>
<b>Long term loans and borrowings</b>	<b>828,655</b>	<b>-</b>	<b>828,655</b>
<b>Total non-current liabilities</b>	<b>828,655</b>	<b>-</b>	<b>828,655</b>
<b>Total liabilities</b>	<b>6,970,911</b>	<b>-</b>	<b>6,970,911</b>
<b>Equity</b>			
Share capital	24,945,961	-	24,945,961
Warrants	47,796	-	47,796
Contributed surplus (notes 14 (b) and (g))	1,637,866	16,788	1,621,078
Deficit	(19,569,182)	(704,465)	(18,864,717)
Accumulated other comprehensive income	8,000	-	8,000
<b>Total equity</b>	<b>7,070,441</b>	<b>(687,677)</b>	<b>7,758,118</b>
<b>Total equity and liabilities</b>	<b>\$ 14,041,352</b>	<b>\$ (687,677)</b>	<b>\$ 14,729,029</b>

**ENTERPRISE OILFIELD GROUP, INC.**  
**Notes to Unaudited Consolidated Interim Financial Statements**  
**For the three and nine months ended September 30, 2011 and 2010**

**14. Transition to IFRS continued:**

**Reconciliation of the consolidated statements of loss and comprehensive loss from Canadian GAAP to IFRS - for the three months ended September 30, 2010:**

	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>Revenue</b>	\$ 3,426,404	\$ -	\$ 3,426,404
Direct expenses	(2,970,859)	-	(2,970,859)
General and administrative expenses	(719,722)	-	(719,722)
Depreciation and amortization (note 14 (e))	(425,941)	<b>30,332</b>	(395,609)
Gain on sale of property, plant and equipment (note 14 (a))	(2,743)	<b>1,778</b>	(965)
Other income	24	-	24
	(692,837)	<b>32,110</b>	(660,727)
<b>Finance expenses</b>	(102,340)	-	(102,340)
<b>Income before income tax</b>	(795,177)	<b>32,110</b>	(763,067)
<b>Income tax</b>			
Deferred	220,000	-	220,000
<b>Loss for the period</b>	(575,177)	<b>32,110</b>	(543,067)
<b>Comprehensive income for the period</b>	-	-	-
<b>Loss and comprehensive loss for the period</b>	\$ (575,177)	\$ <b>32,110</b>	\$ (543,067)

**ENTERPRISE OILFIELD GROUP, INC.**  
**Notes to Unaudited Consolidated Interim Financial Statements**  
**For the three and nine months ended September 30, 2011 and 2010**

**14. Transition to IFRS continued:**

**Reconciliation of the consolidated statements of loss and comprehensive loss from Canadian GAAP to IFRS – for the nine months ended September 30, 2010:**

	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>Revenue</b>	\$11,617,967	\$ -	\$11,617,967
Direct expenses	(10,671,543)	-	(10,671,543)
General and administrative expenses	(2,314,341)	<b>5,758</b>	(2,308,583)
Depreciation and amortization (note 14 (e))	(1,255,837)	<b>43,026</b>	(1,212,811)
Gain on sale of property, plant and equipment (note 14 (a))	15,666	<b>7,705</b>	23,371
Other income	3,124	-	3,124
	(2,604,964)	<b>56,489</b>	(2,548,475)
<b>Finance expenses</b>	(134,446)	-	(134,446)
<b>Income before income tax</b>	(2,739,410)	<b>56,489</b>	(2,682,921)
<b>Income tax</b>			
Deferred	755,000	-	755,000
<b>Loss for the period</b>	(1,984,410)	<b>56,489</b>	(1,927,921)
<b>Comprehensive income for the period</b>	-	-	-
<b>Loss and comprehensive loss for the period</b>	\$ (1,984,410)	\$ <b>56,489</b>	\$ (1,927,921)

Notes to Unaudited Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2011 and 2010

**14. Transition to IFRS continued:**

*IFRS 1 First-Time Adoption of International Financial Reporting Standards* allows first-time adopters certain exemptions from the retrospective application of certain *IFRSs* effective for December 2011 year-ends. The Company has applied the following exemptions:

**(a) IFRS 1 election for deemed cost**

The Company has elected to apply *IFRS 1 Deemed Cost* exemption to land, buildings, and light automotive equipment as at January 1, 2010. In accordance with *IFRS 1*, at the date of transition, the Company has measured land, buildings, and light automotive equipment at fair values.

All other property, plant and equipment is stated at historical cost less depreciation. Depreciation has been adjusted. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The effect is as follows:

Increase the carrying amount of land, buildings, and light automotive equipment at January 1, 2010	\$ 628,096
Decreased depreciation (note 14 (f))	43,026
Decrease in loss on sale of property, plant and equipment	7,705
<hr/>	
IFRS adjustment for property, plant and equipment at September 30, 2010	\$ 678,827
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Increase the carrying amount of land, buildings, and light automotive equipment at January 1, 2010	\$ 628,096
Decreased depreciation (note 14 (f))	76,996
Increase in loss on sale of property, plant and equipment	(17,415)
<hr/>	
IFRS adjustment for property, plant and equipment at December 31, 2010	\$ 687,677

**(b) Share-based payments**

The Company has elected to not apply *IFRS 2 Share-Based Payment* to equity instruments related to share-based compensation arrangements that were granted on or before November 7, 2001 that vested before January 1, 2010. All options issued by the Company were vested as at December 31, 2009.

The effect is \$nil to contributed surplus and deficit at the date of transition, January 1, 2010.

**(c) Business combinations**

*IFRS 3 Business Combinations* has not been applied to acquisitions of subsidiaries that occurred before January 1, 2010, as permitted by *IFRS1*.

**(d) Leases**

The Company has elected to apply the *IFRS 1* exemption to leases. As a result, the Company has not reassessed any arrangements to determine whether they contain a lease if they have already been assessed under CGAAP.

**(e) Estimates**

In accordance with *IFRS 1*, an entity's estimate under *IFRS* at the date of transition to *IFRS* must be consistent with estimates made for the same date under previous CGAAP, unless there is objective evidence that those estimates were in error.

It has been determined that to include salvage values in the calculation of depreciation for all items in property, plant and equipment to more accurately allocate the costs of the assets to the periods in which they are used. Previously, the Company only included salvage values in the calculation of depreciation for its construction equipment. See note 14(a) for the effect of this change.

With the exception of the above estimates in depreciation with the use of salvage values in the calculation, the Company's *IFRS* estimates as at January 1, 2010, are consistent with its Canadian GAAP estimates for the same date.

Notes to Unaudited Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2011 and 2010

14. Transition to IFRS continued:

(f) Depreciation

IFRS requires separation based upon its cost relative to the total cost of the asset. Under IFRS component accounting is required if the useful life and/or depreciation method for the component is different from the remainder of the asset.

There was no impact of this difference on adoption of IFRS at January 1, 2010.

(g) Share-based compensation

Under previous GAAP the Company's equity-settled share-based payments were measured at their fair value at the grant date. This amount was expensed to share-based compensation on the income statement on a straight-line basis over the vesting period. Forfeitures were accounted for as they occurred. Under IFRS, an estimate of forfeitures must be factored into the calculation of the expense at the grant date and any difference between the estimates and actual is recognized in the period when actual forfeitures are incurred.

The effect on loss for the year ended December 31, 2010, is a decrease share-based compensation, as recorded in general and administration expense by \$16,788 with a corresponding change to contributed surplus.

(h) Deferred taxes

The deferred tax asset was decreased by \$157,000 based on a tax rate of 25% on adoption of IFRS on January 1, 2010.

The benefit of the Company's future income tax asset has not been recognized in the consolidated audited financial statements at December 31, 2010 or the September 30, 2011, unaudited consolidated interim financial statements. The Company evaluates at each reporting date if this asset is "more likely than not" to be realized and resulted in a change in valuation allowance.

15. Segmented information

The Company operates in two main business segments in Western Canada, directional drilling, installation and maintenance of underground utilities in the utility and transportation infrastructure industry sector, along with pipeline and facilities construction and maintenance in the energy sector. The business segments presented reflect the management structure of the Company and the way the Company's management reviews business performance.

The accounting policies and practices of the reportable segments are the same as those described in note 4.

Nine months ended September 30, 2011	Directional drilling and utility services	Pipeline, facilities construction and maintenance	Corporate	September 30, 2011
Revenues	\$ 8,482,902	\$ 3,175,510	-	\$ 11,658,412
EBITDAS (i)	1,935,062	901,715	(1,585,235)	1,251,542
Depreciation, amortization and impairment losses	491,261	518,063	22,309	1,031,633
Interest and bank charges	260,823	392,312	157,178	810,313
(Gain) loss on sale of property, plant and equipment	48,067	(9,600)	(3,357)	35,110
Share-based payments	-	-	182,018	182,018
<b>Income (loss) before taxes</b>	<b>\$ 1,134,911</b>	<b>\$ 940</b>	<b>\$ (1,943,383)</b>	<b>\$ (807,532)</b>
<b>Total identifiable assets</b>	<b>\$ 8,206,061</b>	<b>\$ 6,854,940</b>	<b>\$ 630,630</b>	<b>\$ 15,691,631</b>

ENTERPRISE OILFIELD GROUP, INC.

Notes to Unaudited Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2011 and 2010

15. Segmented information continued:

Three months ended September 30, 2011	Directional drilling and utility services	Pipeline, facilities construction and maintenance	Corporate	September 30, 2011
Revenues	\$ 3,487,477	\$ 1,324,193	\$ -	\$ 4,811,670
EBITDAS (i)	1,346,693	541,843	(493,014)	1,395,522
Depreciation, amortization and impairment losses	208,510	155,801	6,885	371,196
Interest and bank charges	73,132	48,403	76,302	197,837
(Gain) loss on sale of property, plant and equipment	51,749	(3,310)	(9,048)	39,391
Share-based payments	-	-	43,615	43,615
<b>Income (loss) before taxes</b>	<b>\$ 1,013,302</b>	<b>\$ 340,949</b>	<b>\$(610,768)</b>	<b>\$ 743,483</b>
<b>Total identifiable assets</b>	<b>\$ 8,206,061</b>	<b>\$ 6,854,940</b>	<b>\$ 630,630</b>	<b>\$ 15,691,631</b>
Nine months ended September 30, 2010	Directional drilling and utility services	Pipeline, facilities construction and maintenance	Corporate	September 30, 2010
Revenues	\$7,042,114	\$4,575,853	\$-	\$11,617,967
EBITDAS (i)	2,134,404	(1,087,037)	(2,095,397)	(1,048,030)
Depreciation, amortization and impairment losses	434,599	736,232	41,980	1,212,811
Interest and bank charges	48,938	114,151	205,842	368,931
(Gain) loss on sale of property, plant and equipment	8,565	(31,936)	-	(23,371)
Share-based payments	-	-	76,520	76,520
<b>Income (loss) before taxes</b>	<b>\$1,642,302</b>	<b>\$(1,905,484)</b>	<b>\$(2,419,739)</b>	<b>\$(2,682,921)</b>
<b>Total identifiable assets</b>	<b>\$7,030,662</b>	<b>\$8,234,162</b>	<b>\$813,443</b>	<b>\$16,078,267</b>
Three months ended September 30, 2010	Directional drilling and utility services	Pipeline, facilities construction and maintenance	Corporate	September 30, 2010
Revenues	\$2,923,039	\$503,365	\$-	\$3,426,404
EBITDAS (i)	685,675	(314,729)	(541,589)	(170,643)
Depreciation, amortization and impairment losses	144,962	233,984	16,663	395,609
Interest and bank charges	22,365	39,668	133,817	195,850
Loss on sale of property, plant and equipment	-	965	-	965
<b>Income (loss) before taxes</b>	<b>\$518,348</b>	<b>\$(589,346)</b>	<b>\$(692,069)</b>	<b>\$(763,067)</b>
<b>Total identifiable assets</b>	<b>\$7,030,662</b>	<b>\$8,234,162</b>	<b>\$813,443</b>	<b>\$16,078,267</b>

- (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 GAAP and is considered to be a non-GAAP 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.

**16. Subsequent event**

In October 2011, the Company entered into a financing arrangement with a Canadian financial institution to secure a \$1,500,000 non-revolving term loan. The facility is 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 facility is at zero percent interest (0%), with principal payments only, for the first 24 months of the loan, and principal plus interest for the remaining 24 months of the loan. The annual interest rate during the interest period is 5.585%. Proceeds of the loan will be used to pay out the existing higher interest term loan facility and will reduce the Company's monthly principal and interest payments by approximately \$69,000.

In October 2011, the Company entered into a financing arrangement with a Canadian chartered bank to increase its revolving operating line capacity to \$1,550,000. The facility is secured by accounts receivable, a general security agreement on all assets of the Company and guarantees by the Company and an officer and director of the Company. The interest rate on the facility is lender prime plus 1.50% with interest payable monthly. The facility is scheduled for review on April 30, 2012.