Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

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 14, 2018

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

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
1701 Scotia Place 2
10060 Jasper Avenue NW
Edmonton, AB
T5J 3R8

T +1 780 422 7114
F +1 780 426 3208

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, 2017 and December 31, 2016, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2017 and December 31, 2016, 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 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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, 2017 and December 31, 2016, and its financial performance and its cash flows for the years ended December 31, 2017 and December 31, 2016 in accordance with International Financial Reporting Standards.

Edmonton, Canada

March 14, 2018

Grant Thornton LLP

Chartered Professional Accountants

As at December 31	2017	2016
Assets		
Cash and cash equivalents (note 4)	**$ 1,291,785**	$ 691,718
Trade and other receivables (note 4)	**11,493,447**	9,016,545
Income taxes recoverable (note 10)	**266,137**	374,945
Unbilled revenue	**520,344**	688,452
Inventories (note 5)	**1,289,508**	1,536,784
Deposits and prepaid expenses	**276,100**	345,076
Assets held for sale (note 3 and 6)	**-**	4,229,570
	15,137,321	16,883,090
Property, plant and equipment (note 6)	**58,258,894**	55,448,447
Investment property (note 7)	**-**	3,780,000
Goodwill (note 8)	**2,350,529**	2,350,529
Intangible assets (note 9)	**2,051,813**	2,134,318
Deferred tax assets (note 10)	**3,683,773**	4,004,109
	66,345,009	67,717,403
Total assets	**$ 81,482,330**	$ 84,600,493
Liabilities		
Trade and other payables (note 4)	**$ 2,527,364**	$ 2,891,142
Current portion of loans and borrowings (note 11)	**398,952**	1,268,796
	2,926,316	4,159,938
Long term portion of loans and borrowings (note 11)		
Bank loan facility	**20,424,199**	21,214,450
Finance leases	**263,849**	543,741
Mortgage	**1,046,931**	1,135,325
Deferred tax liabilities (note 10)	**4,829,257**	4,576,670
Total liabilities	**29,490,552**	31,630,124
Equity		
Share capital	**79,736,972**	79,930,146
Warrants	**701,210**	1,448,381
Contributed surplus	**6,737,805**	6,815,970
Deficit	**(35,184,209)**	(35,224,128)
Total equity	**51,991,778**	52,970,369
Total equity and liabilities	**$ 81,482,330**	$ 84,600,493

Approved on behalf of the Board:

(Signed) "Leonard D. Jaroszuk" Director

(Signed) "John Pinsent, FCPA, FCA, ICD.D." Director

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

Years ended December 31	2017	2016
Revenue	**$ 37,677,118**	$ 28,723,585
Direct expenses	**(28,152,785)**	(21,894,803)
Gross margin	**9,524,333**	6,828,782
General and administrative expenses	**(2,559,517)**	(3,155,088)
Depreciation of property, plant and equipment	**(5,666,737)**	(6,620,604)
Finance expense	**(1,661,197)**	(2,158,339)
Share-based payments	**-**	(1,210,827)
Amortization of intangible assets	**(304,220)**	(294,692)
Loss on sale of property, plant and equipment	**(401,600)**	(553,672)
Fair value adjustment on investment property	**(55,000)**	(130,000)
Gain on foreign exchange	**9,237**	22,280
Impairment of property, plant and equipment (note 6)	**-**	(2,380,383)
Impairment of goodwill (note 8)	**-**	(6,056,528)
Other income	**65,931**	155,920
Loss before income tax	**(1,048,770)**	(15,553,151)
Income tax recovery (note 10)	**174,178**	2,630,655
Net loss from continuing operations	**(874,592)**	(12,922,496)
Loss from discontinued operations, net of tax (note 3)	**(61,449)**	(242,544)
Net loss and comprehensive loss	**$ (936,041)**	$ (13,165,040)
Loss per share (note 14)		
Basic and diluted loss per share	**$ (0.02)**	$ (0.24)

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

Years ended December 31	2017	2016
Cash flows from operating activities:		
Net loss	**$ (936,041)**	$ (13,165,040)
Adjustments for:		
Depreciation of property, plant and equipment	**5,666,737**	7,643,034
Amortization of intangible assets	**304,220**	367,442
Loss (gain) on sale of property, plant and equipment	**401,600**	(1,984,709)
Share-based payments	**-**	1,210,827
Fair value adjustment	**55,000**	130,000
Impairment of long-lived assets	**-**	8,436,911
Deferred income tax expense (recovery)	**572,923**	(2,522,079)
Finance expense	**1,661,197**	2,424,808
Change in non-cash working capital (note 16)	**(2,247,512)**	1,193,499
Net cash provided by operating activities	**5,478,124**	3,734,693
Cash flows from financing activities:		
Net repayment of bank loan facility	**(904,642)**	(9,138,906)
Repayment of vendor take-back loans	**-**	(750,000)
Interest and borrowing costs paid on loans and borrowings	**(1,546,806)**	(2,480,327)
Repayment of term loan	**(23,340)**	(270,989)
Repayment of finance lease liabilities	**(1,157,346)**	(8,106,201)
Repayment of mortgage facility	**(84,861)**	(81,494)
Share buyback and cancellation	**(42,550)**	-
Net cash used by financing activities	**(3,759,545)**	(20,827,917)
Cash flows from investing activities:		
Purchase of intangible assets	**(123,870)**	-
Purchase of property, plant and equipment	**(2,053,310)**	(2,222,434)
Proceeds on sale of property, plant and equipment	**1,058,668**	18,007,601
Net cash (used) provided by investing activities	**(1,118,512)**	15,785,167
Change in cash and cash equivalents	**600,067**	(1,308,057)
Cash and cash equivalents, beginning of year	**691,718**	1,999,775
Cash and cash equivalents, end of year	**$ 1,291,785**	$ 691,718

Net cashflows attributed to discontinued operations (note 3)

Consolidated Statements of Changes in Equity

	Number of common shares	Share capital	Warrants	Contributed surplus	Deficit	Total
Balance as at December 31, 2015	55,652,374	$79,930,146	$1,448,381	$5,605,143	$(22,059,088)	$64,924,582
Share-based payments	-	-	-	1,210,827	-	1,210,827
Net loss	-	-	-	-	(13,165,040)	(13,165,040)
Balance as at December 31, 2016	55,652,374	$79,930,146	$1,448,381	$6,815,970	$(35,224,128)	$52,970,369
Agent warrants expired (note 13)	-	-	(975,960)	-	975,960	-
Common shares repurchased and cancelled (note 12)	(134,500)	(193,174)	-	150,624	-	(42,550)
Extension of private placement warrants (note 13)	-	-	228,789	(228,789)	-	-
Net loss	-	-	-	-	(936,041)	(936,041)
Balance as at December 31, 2017	**55,517,874**	**$79,736,972**	**$701,210**	**$6,737,805**	**$(35,184,209)**	**$51,991,778**

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

1. Reporting entity

Enterprise Group, Inc. ("Enterprise" or the "Company") is a public company incorporated under the Alberta Business Corporations Act and its shares are listed on the Toronto Stock Exchange under the symbol "E". Enterprise is a consolidator of businesses providing services to the utility, energy and construction industries. The Company has a fleet of trucks and heavy equipment to provide tunnelling services and rent heavy equipment, flameless heating units and oilfield site service infrastructure throughout Western Canada. 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, 2017, and December 31, 2016, 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 14, 2018.

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.

Basis of consolidation

Included in these consolidated financial statements are the financial statements of Enterprise Group, Inc. and its wholly-owned subsidiaries: E One Limited, T.C. Backhoe & Directional Drilling Ltd., Artic Therm International Ltd., Calgary Tunnelling & Horizontal Augering Ltd., Enterprise Trenchless Crossings Ltd., Hart Oilfield Rentals Ltd., and Westar Oilfield Rentals, 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 and its subsidiaries' functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains or losses from the settlement of such transactions at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income and comprehensive income.

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.

   Management uses judgement in determining whether modifications to a lease impacts its classification as a finance lease, and impacts the original financial liability. The specific details of the changes will determine if they should be recognized immediately in the statement of income and comprehensive income or as part of the leased assets.

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. 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.

v. 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 of disposal and value in use. The fair value less costs of disposal 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 incorporates 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, cash expenditures, the amount of property, plant and equipment required to achieve the cashflow projections, other future estimates of capital expenditures and changes in future working capital requirements.

vi. Impairment of financial assets
At the end of each reporting period, management reviews the individual balances in accounts receivable and assesses their recoverability based on the aging of outstanding balances, historical bad debt experience, indicators of change in customer credit worthiness, and change in customer payment terms, to identify and determine the extent of impairment, if any.

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

ii. Other financial liabilities
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 derived from valuation techniques that include 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.

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 with the exception of one entity of the Company which, due to the nature of the inventory, measures inventory using the average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Property, plant and equipment

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

Depreciation is calculated over the depreciable amount, which is the cost of asset less its residual value. Depreciation is not calculated for assets under construction until work is completed and the assets are available for 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	- 7 - 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.

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. Contingent consideration classified as equity is not remeasured; other contingent consideration is remeasured at fair value with changes in fair value recognized in profit or loss. 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 CGU to which the goodwill relates. Where the recoverable amount of the CGU (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.

Discontinued operations and assets held for sale

Discontinued operations are reported when a component of an entity comprising operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity is classified as held for disposal or has been disposed of, if the component either (1) represents a separate major line of business or geographical area of operations or (2) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or (3) is a subsidiary acquired exclusively with a view to resale. In the Consolidated Statements of Loss and Comprehensive Loss, loss from discontinued operations is reported separately from income and expenses from continuing operations; prior periods are presented on a comparable basis.

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction or through distribution to shareholders rather than through continuing use. For this to be the case, the asset must be available for immediate sale or distribution in its present condition subject only to terms that are usual and customary for sales or distributions of such assets and its sale or distribution must be highly probable. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

When a non-current asset no longer meets the criteria to be classified as held for sale, it is measured at the lower of its carrying amount before it was classified as held for sale, adjusted for depreciation that would have been recognized had the asset not been classified as held for sale, and its recoverable amount.

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 included in the statement of income and comprehensive income, 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 service agreements or unit price contracts are recognized based upon the actual services provided within the scope of the agreement, at the pre-determined price or rate for that service, 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, and it is probable that future economic benefits will flow to the Company. The unbilled portion for work completed at the end of a reporting period are recorded as unbilled revenues using the pre-determined price or rate for that service.

Finance income and expense

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

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 of disposal and value in use. The fair value less costs of disposal 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.

Accounting standards issued but not yet applied

Unless otherwise noted, the following revised standards and amendments are effective as noted below, with earlier application permitted.

The following is a brief summary of the new standards:

IFRS 9 - Financial Instruments

The IASB released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets, guidance on the application of hedge accounting and guidance for debt modifications that result in a material change to future cash flows. In 2016, the Company's bank loan facility was modified due to an interest rate change, and under IFRS 9, the Company must assess the impact of this modification on future cash flows. Based on current facts and circumstances, management expects the new guidance to have a material impact on the opening balance for the bank loan facility when this new standard is adopted on January 1, 2018. The resulting impact will be an adjustment to the carrying value of the bank loan facility offset by a corresponding adjustment to opening retained earnings.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for financial years commencing on or after January 1, 2018. Enterprise will adopt IFRS 15 for the year ended December 31, 2018, using the cumulative effect method applying the new standard as of January 1, 2018 with no restatement of comparative periods. In order to determine the impact of the new standard, the Company assessed its revenue sources and contracts that it uses to provide services to customers. Enterprise provides services based upon orders that include fixed or determinable prices based upon daily, monthly or contracted rates generally with no post-service obligations. The Company expects revenue recognition to occur over time as performance obligations are delivered. As a result, the Company has concluded that there is no material impact of IFRS 15 on its financial position or results of operations based on the assessment to date. The Company will be required to disclose significant judgments when determining the transaction price, the allocation of the transaction price, and specific performance obligations. During 2017, the Company assessed the impact of the increased disclosures including updating processes to collect and report such information.

IFRS 16 - Leases

In January 2016, the IASB issued a new standard on leases. IFRS 16 - Leases will require lessees to recognize assets and liabilities for most leases under a single accounting model for which all leases will be accounted for, with certain exemptions. For lessors, IFRS 16 is expected to have little change from existing accounting standards (IAS 17 - Leases). IFRS 16 will be effective

for annual periods beginning on or after January 1, 2019. Early adoption is permitted, provided the new revenue standard, IFRS 15 has been applied or is applied at the same date as IFRS 16. The Company is continuing to assess the impact of IFRS 16 on its financial position and results of operations.

3. Discontinued operations

On July 7, 2016, Enterprise Group, Inc., closed a transaction to divest substantially all of the assets of T.C. Backhoe & Directional Drilling Ltd. (TCB). Gross cash proceeds from the transaction was $16,890,400 plus $2,951,798 of working capital for a total of $19,842,198. Working capital was paid out over time with the final payment of a $650,000 holdback amount plus net working capital adjustment of $209,993 being received on July 14, 2017. The entire amount was applied against the debt of the Company. There are no other amounts outstanding.

During the fourth quarter of 2016, Enterprise Group, Inc. decided to cease all operations of its Enterprise Trenchless Crossings business (ETC). ETC's operations included all assets relating to trenchless single pass tunneling. As a result of this decision, assets related to this line of business of $4,229,570 were shown as assets held for sale on the Consolidated Statement of Financial Position and the operations are included in discontinued operations and presented as a single amount in the consolidated financial statements. Enterprise anticipated disposing of these assets in 2017. Assets held for sale were measured at the lower of their carrying amount and the fair value less cost to sell. The assets were not sold in 2017 and no longer meet the criteria to be classified as held for sale. As a result, they were transfered to property, plant and equipment.

Income from discontinued operations, including the prior period figures, are presented as a single amount in the consolidated statements of loss and comprehensive loss and excludes all intercompany transactions. This amount comprises the post-tax income of the discontinued operations and the post-tax gain (loss) resulting from the measurement and disposal of the assets. All intercompany transactions have been excluded.

For the year ended December 31	**T.C. Backhoe & Directional Drilling 2017**	**Enterprise Trenchless Crossings 2017**	**Total 2017**	T.C. Backhoe & Directional Drilling 2016	Enterprise Trenchless Crossings 2016	Total 2016
Revenue	**$ -**	**$ -**	**$ -**	$ 6,558,653	$ -	$ 6,558,653
Direct expenses	-	-	-	(6,107,626)	(530,286)	(6,637,912)
Gross margin (loss)	-	-	-	451,027	(530,286)	(79,259)
General and administrative expenses	-	-	-	(592,471)	(210,662)	(803,133)
Depreciation of property, plant and equipment	-	-	-	(674,949)	(347,481)	(1,022,430)
Finance expense	-	-	-	(268,756)	-	(268,756)
Amortization of intangible assets	-	-	-	(72,750)	-	(72,750)
Other income	-	-	-	129,509	-	129,509
Loss before income tax	-	-	-	(1,028,390)	(1,088,429)	(2,116,819)
Income tax recovery	-	-	-	277,665	293,876	571,541
(Loss) gain on sale of property, plant and equipment net of tax of $nil (2016 - $832,004)	**(61,449)**	-	**(61,449)**	1,302,734	-	1,302,734
(Loss) income from discontinued operations	**$ (61,449)**	**$ -**	**$ (61,449)**	$ 552,009	$ (794,553)	$ (242,544)

Cash flows from discontinued operations are as follows:

For the year ended December 31	**T.C. Backhoe & Directional Drilling 2017**	**Enterprise Trenchless Crossings 2017**	**Total 2017**	T.C. Backhoe & Directional Drilling 2016	Enterprise Trenchless Crossings 2016	Total 2016
Operating	**$ -**	**$ -**	**$ -**	$ 1,370,691	$ (740,948)	$ 629,743
Financing	**$ -**	**$ -**	**$ -**	$ (7,357,147)	$ -	$ (7,357,147)
Investing	**$ -**	**$ -**	**$ -**	$ 16,718,043	$ -	$ 16,718,043

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, deposits and trade and other payables, approximate fair value because of the near term to maturity of these instruments. The fair value of loans and borrowings is a level 2 measurement and are based on discounted future cash flows using the rates that reflect observable current market rates for similar instruments with similar terms and conditions. The estimated fair value approximates the carrying value at December 31, 2017.

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

		2017		2016
Financial assets				
Cash and cash equivalents	**$**	**1,291,785**	$	691,718
Trade and other receivables	**$**	**11,493,447**	$	9,016,545
Deposits	**$**	**102,623**	$	115,629
Financial liabilities				
Trade and other payables	**$**	**2,527,364**	$	2,891,142
Loans and borrowings	**$**	**22,133,931**	$	24,162,312

Financial risk management

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

(b) Credit risk

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

The Company has trade receivables from customers in the utilities/infrastructure construction industry, as well as customers in the oil and gas industry. Credit risk is mitigated due to significant customers being large industry leaders, following a program of credit evaluation and limiting the amount of customer credit where deemed necessary. The Company monitors trade receivables monthly to identify any amounts which are past due and considers if they are impaired. This assessment is done on an invoice by invoice basis. Losses from trade accounts receivable have not historically been significant. The Company has recorded a provision for doubtful accounts at December 31, 2017, of $172,000 (December 31, 2016 - $145,300).

At December 31, 2017, $1,804,000 or 19% of trade receivables was from two customers compared to $1,095,000 or 12% from two customers as at December 31, 2016.

		2017		2016
Current (less than 90 days)	**$**	**10,946,163**	$	7,923,838
Past due (more than 90 days)		**547,284**		1,092,707
Total	**$**	**11,493,447**	$	9,016,545

Included in trade receivables past due (more than 90 days) is $nil (December 31, 2016 - $51,264) 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. For the year ended December 31, 2017, the Company generated 25% of revenue from one customer (2016 - 32% from one customer.) No other customers comprise more than 10% of revenues.

The following are undiscounted contractual maturities of financial liabilities, including estimated interest at December 31, 2017, and December 31, 2016:

December 31, 2017	**Carrying amount**	**Contractual cash flows**	**Due within one year**	**Two-five years**	**More than five years**
Trade and other payables	$ 2,527,364	$ 2,527,364	$ 2,527,364	$ -	$ -
Loans and borrowings	22,133,931	26,136,904	1,747,921	23,656,692	732,291
Operating lease commitments	-	1,437,579	725,315	712,264	-
	$ 24,661,295	**$ 30,101,847**	**$ 5,000,600**	**$ 24,368,956**	**$ 732,291**

December 31, 2016	Carrying amount	Contractual cash flows	Due within one year	Two-five years	More than five years
Trade and other payables	$ 2,891,142	$ 2,891,142	$ 2,891,142	$ -	$ -
Loans and borrowings	24,162,312	29,521,119	2,630,528	26,025,156	865,435
Operating lease commitments	-	2,208,544	1,003,942	1,204,602	-
	$ 27,053,454	$ 34,620,805	$ 6,525,612	$ 27,229,758	$ 865,435

At December 31, 2017, $1,154,711 in operating lease payments were expensed during the period (2016 - $1,077,622).

(d) Market risk

Market risk is the risk of changes in market prices, such as interest rates, which will affect the Company's income or the value of its financial instruments. Management has assessed the effect of a 1% interest rate increase or decrease in the prime lending rate at December 31 2017, to impact the Company's annual interest expense by approximately $218,000 (December 31, 2016 - $228,000). 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 funded debt and adjusted capital of the Company. Adjusted capital comprises all components of equity (share capital, contributed surplus, warrants and deficit). Included in funded debt is the bank loan facility which requires the Company to maintain certain financial covenants as defined below. 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. As at December 31, 2017, the Company has met these objectives.

	2017	2016
Bank loan	**$ 20,424,199**	$ 21,214,450
Current portion of long-term debt	**398,952**	1,268,796
Long-term debt	**1,310,780**	1,679,066
Net funded debt	**22,133,931**	24,162,312
Shareholders' equity	**51,991,778**	52,970,369
Total capital	**$ 74,125,709**	$ 77,132,681

Included in net funded debt is the bank loan facility which requires the Company to maintain certain financial covenants.

"Fixed Charge Coverage Ratio" - EBITDA less unfinanced capital expenditures, less taxes paid divided by fixed charges.

"Senior Leverage Ratio" - the result of the amount of Senior Funded Debt of the Company and its subsidiaries on a consolidated basis, to the trailing twelve month EBITDA for the 12 month period ended as of such date.

"EBITDA" - earnings before finance expense, taxes, depreciation and amortization, loss (gain) on disposal of property, plant and equipment, fair value adjustments, impairment losses and share-based payments.

The Company's covenants are as follows:

	December 31, 2017	**Required**	December 31, 2016	Required
Fixed charge coverage ratio	**2.49**	> 1.25	N/A	N/A
Senior leverage ratio	**3.23**	< 6.25	N/A	N/A
EBITDA	**N/A**	N/A	$2,554,593	>$ 2,365,000
Net capital expenditure	**$1,022,057**	< $1,125,000	$1,098,896	< $1,125,000

The minimum covenants are noted in the table above. The Company monitors these requirements on an ongoing basis and reports on its compliance to its lender on a monthly basis. As at December 31, 2017, the Company is in compliance with all covenants.

Effective June 30, 2017, the Company amended the term and the covenants to its bank loan facility. Beginning June 30, 2017, the amortization rate applied to capital assets for the purposes of covenant calculations was increased from 36 months to 60 months. All other terms and conditions of the facility remain unchanged.

Effective August 11, 2016, the Company amended the term and the covenants to its bank loan facility. Beginning September 30, 2016, the Company was required to maintain EBITDA of not less than 85% of forecast. Beginning June 30, 2017, the Company was required to maintain a senior leverage ratio of not more than 6.5; at December 31, 2017, not more than 6.25. Beginning on March 31, 2017, the Company was required to maintain a fixed charge coverage ratio of not less than 1.25. The interest rate on the facility decreased from prime plus 3.5% to prime plus 3.0% with the facility expiring on September 30, 2020. The net capital expenditures are not to exceed $1,125,000 in any fiscal year. Upon closing of the sale of TCB assets, the maximum loan amount was reduced to $25,000,000. All other terms and conditions of the facility remain unchanged.

Further discussion on the Company's covenants are included in Note 11a.

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

Years ended December 31	**2017**	2016
Inventory, parts and supplies	**$ 1,289,508**	$ 1,536,784

Inventory, parts and supplies expensed in direct expenses during the year ended December 31, 2017, was $3,843,651 (2016 - $2,247,260).

6. Property, plant and equipment

Cost or deemed cost	**Balance at December 31, 2016**	**Additions**	**Disposals**	**Reclassified (note 3 and 7)**	**Balance at December 31, 2017**
Land	$ -	$ -	$ -	$ 3,725,000	**$ 3,725,000**
Buildings	459,663	-	(37,532)	-	**422,131**
Leasehold improvements	752,107	18,540	-	-	**770,647**
Computers and communication equipment	427,052	2,131	-	-	**429,183**
Small equipment	2,338,776	72,469	-	-	**2,411,245**
Light automotive equipment	3,424,219	2,499	(538,996)	-	**2,887,722**
Heavy automotive, construction and portable rental equipment	73,448,856	1,966,716	(1,922,917)	4,187	**73,496,842**
Property, plant and equipment under construction	1,229,579	18,371	(32,742)	(102,031)	**1,113,177**
Less assets held for sale	(5,025,444)	-	-	5,025,444	**-**
	$ 77,054,808	**$ 2,080,726**	**$ (2,532,187)**	**$ 8,652,600**	**$ 85,255,947**

	Accumulated depreciation					Carrying amounts	
	Balance at December 31, 2016	Depreciation for the year	Reclassified	Disposals	Balance at December 31, 2017	Balance at December 31, 2016	Balance at December 31, 2017
Land	$ -	$ -	$ -	$ -	**$ -**	$ -	**$ 3,725,000**
Buildings	19,443	10,381	-	(1,241)	**28,583**	440,220	**393,548**
Leasehold improvements	448,586	137,016	-	240	**585,842**	303,521	**184,805**
Computers and communication equipment	273,902	73,447	10,230	-	**357,579**	153,150	**71,604**
Small equipment	1,488,027	341,642	-	-	**1,829,669**	850,749	**581,576**
Light automotive equipment	1,649,818	465,829	-	(337,261)	**1,778,386**	1,774,401	**1,109,336**
Heavy automotive, construction and portable rental equipment	18,522,459	4,638,422	(10,230)	(733,657)	**22,416,994**	54,926,397	**51,079,848**
Property, plant and equipment under construction	-	-	-	-	**-**	1,229,579	**1,113,177**
Less assets held for sale	(795,874)	-	795,874	-	**-**	(4,229,570)	**-**
	$ 21,606,361	**$ 5,666,737**	**$ 795,874**	**$ (1,071,919)**	**$ 26,997,053**	**$ 55,448,447**	**$ 58,258,894**

Cost or deemed cost	Balance at December 31, 2015	Additions	Disposals	Reclassified	Impairment	Divestiture (note 3)	Balance at December 31, 2016
Buildings	$ 593,325	$ -	$ (4,450)	$ -	$ -	$ (129,212)	$ 459,663
Leasehold improvements	835,579	41,860	(70)	-	-	(125,262)	752,107
Computers and communication equipment	658,199	12,272	(16,170)	(134,410)	-	(92,839)	427,052
Small equipment	3,188,074	8,089	(174,048)	(38,829)	-	(644,510)	2,338,776
Light automotive equipment	5,254,555	66,490	(559,516)	(15,467)	-	(1,321,843)	3,424,219
Heavy automotive, construction and portable rental equipment	92,249,984	1,829,273	(3,145,412)	524,490	(2,380,383)	(15,629,096)	73,448,856
Property, plant and equipment under construction	1,449,297	322,454	(206,388)	(335,784)	-	-	1,229,579
Less assets held for sale	-	-	-	(5,025,444)	-	-	(5,025,444)
	$ 104,229,013	$ 2,280,438	$ (4,106,054)	$ (5,025,444)	$ (2,380,383)	$ (17,942,762)	$ 77,054,808

	Accumulated depreciation						Carrying amounts	
	Balance at December 31, 2015	Depreciation for the year	Reclassified	Disposals	Divestiture (note 3)	Balance at December 31, 2016	Balance at December 31, 2015	Balance at December 31, 2016
Buildings	$ 21,358	$ 5,511	$ -	$ (353)	$ (7,073)	$ 19,443	$ 571,967	$ 440,220
Leasehold improvements	420,469	135,722	-	(70)	(107,535)	448,586	415,110	303,521
Computers and communication equipment	313,007	94,969	(38,883)	(22,123)	(73,068)	273,902	345,192	153,150
Small equipment	1,557,777	328,552	-	(111,035)	(287,267)	1,488,027	1,630,297	850,749
Light automotive equipment	1,829,797	685,449	-	(257,140)	(608,288)	1,649,818	3,424,758	1,774,401
Heavy automotive, construction and portable rental equipment	16,724,339	6,392,831	38,883	(1,080,728)	(3,552,866)	18,522,459	75,525,645	54,926,397
Property, plant and equipment under construction	-	-	-	-	-	-	1,449,297	1,229,579
Less assets held for sale	-	-	(795,874)	-	-	(795,874)	-	(4,229,570)
	$ 20,866,747	$ 7,643,034	$ (795,874)	$ (1,471,449)	$ (4,636,097)	$ 21,606,361	$ 83,362,266	$ 55,448,447

Included in the carrying amount of $58,258,894 is $1,112,806 (2016 - $1,131,735) of heavy automotive, construction and portable rental equipment under construction and $371 (2016 - $97,844) of computers and equipment, which is not being depreciated as they are not yet available for use. The $18,371 included in property, plant, and equipment under construction is the net additions for assets in build in 2017. The cash outflows for assets in build was $738,728 where the equipment was started and completed in 2017. This is offset by $596,487 in assets disclosed as additions under heavy automotive, construction and portable rental equipment and $123,870 in additions to intangibles.

7. Investment property

On September 30, 2017, the Company obtained an independent appraisal of the investment property. The appraisal valued the investment property at $3,725,000 (2016 - $3,780,000) and as such the carrying value was decreased to agree to the valuation as reported. The Company classified this asset as level 3 on the fair value hierarchy.

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.

In December 2017, the Company reclassified the investment property to "Land" in property, plant, and equipment as the property will be used in the on going operations of the Company. The land was reclassified at fair value at the date of change in use of $3,725,000.

As of December 31, 2017, rental income earned from the investment property was $205,879 (2016 - $97,712).

8. Goodwill

Carrying amount of goodwill allocated to each CGU		**December 31, 2015**		**Impairment**		**December 31, 2016**		**December 31, 2017**
Artic Therm International Ltd.	$	1,558,529	$	(1,006,000)	$	552,529	**$**	**552,529**
Hart Oilfield Rentals Ltd.		5,050,528		(5,050,528)		-		**-**
Westar Oilfield Rentals Inc.		1,798,000		-		1,798,000		**1,798,000**
	$	8,407,057	$	(6,056,528)	$	2,350,529	**$**	**2,350,529**

At December 31, 2017, the Company performed its annual goodwill impairment test in accordance with its policy as described in note 2. Based on the results of the test, the Company concluded that the recoverable amount of its CGU's were greater than their carrying amount which indicated goodwill was not impaired. In 2016, the Company concluded that the recoverable amount of Artic Therm International Ltd. and Hart Oilfield Rentals Ltd. were less than their carrying values which indicated that goodwill was 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 CGUs 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, 2017 impairment test, the Company discounted its CGUs' cash flows using after-tax discount rates. The implied pre-tax discount rates are as follows: Calgary Tunnelling & Horizontal Augering Ltd. 31.7% (2016 - 35.1%); Artic Therm International Ltd. 35.4% (2016 - 38.3%); Hart Oilfield Rentals Ltd. 33.1% (2016 - 38.2%); and Westar Oilfield Rentals Inc. 29.6% (2016 - 32.3%). 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:

- Forecast revenue projections
- Discount rates

We performed sensitivity analysis on these keys assumptions:

Artic Therm International Ltd.

- Based on a decrease of 10% of the projected annual revenues, the impairment of goodwill and intangibles would be $360,000;
- Based on an increase of 1% in the discount rate, the impairment of goodwill would be $nil;

Hart Oilfield Rentals Ltd.

- Based on a decrease of 10% of the projected annual revenues, the impairment of intangibles and property, plant and equipment would be $1,143,000; and
- Based on an increase of 1% in the discount rate, the impairment of intangibles would be $51,000;

Westar Oilfield Rentals Inc.

- Based on a decrease of 10% of the projected annual revenues, the impairment of goodwill would be $678,000;
- Based on an increase of 1% in the discount rate, the impairment of goodwill would be $170,000;

In the Calgary Tunnelling & Horizontal Augering CGU, given that there are no longer any carrying amounts for intangible assets or goodwill, no further impairment would be taken.

9. Intangible assets

Cost or deemed cost	Balance at December 31, 2015	Additions (Divestiture) (note 3)	Balance at December 31, 2016	Additions	Reclassified	Balance at December 31, 2017
Patent	$ 309,284	$ 27,503	$ 336,787	$ -	$ -	**$ 336,787**
Software	-	-	-	123,870	97,845	**221,715**
Customer relationships	4,782,638	(1,455,000)	3,327,638	-	-	**3,327,638**
	$ 5,091,922	**$ (1,427,497)**	**$ 3,664,425**	**$ 123,870**	**$ 97,845**	**$ 3,886,140**

				Accumulated amortization			Carrying amounts	
Amortization	Balance at December 31, 2015	Amortization for the year	Divestiture (note 3)	Balance at December 31, 2016	Amortization for the year	Balance at December 31, 2017	Balance at December 31, 2016	Balance at December 31, 2017
Patent	$ 171,205	$ 28,342	$ -	$ 199,547	$ 31,396	$ 230,943	$ 137,240	**$ 105,844**
Software	-	-	-	-	6,160	6,160	-	**215,555**
Customer relationships	2,337,335	339,100	(1,345,875)	1,330,560	266,664	1,597,224	1,997,078	**1,730,414**
	$ 2,508,540	**$ 367,442**	**$(1,345,875)**	**$ 1,530,107**	**$ 304,220**	**$ 1,834,327**	**$ 2,134,318**	**$ 2,051,813**

At December 31, 2017, the Company performed its annual goodwill impairment test in accordance with its policy as described in note 2. Based on the results of the test, the Company has recognized an impairment of $nil (2016 - $nil) in its intangible assets at December 31, 2017. The calculation of value in use was based on the same key assumptions utilized in the goodwill impairment analysis per note 8.

10. Income taxes

(a) Components of income tax expense are:

Years ended December 31,	**2017**	2016
Current tax recovery	**$ (266,137)**	$ (311,693)
Book to file adjustments	**(480,964)**	463,580
Current tax (recovery) expense	**(747,101)**	151,887
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	**5,548**	(3,950,846)
Change in tax rates and rate differences	**248,448**	-
Change in unrecognized temporary differences	**(13)**	1,635,276
Book to file adjustments	**318,940**	(466,972)
Deferred tax expense (recovery)	**572,923**	(2,782,542)
Income tax recovery from continuing operations	**$ (174,178)**	$ (2,630,655)

Tax expense on continuing operations excludes the tax income from the discontinued operations of $nil (2016 - tax income of $571,541) and the tax expense on the gain on sale of discontinued operations of $nil (2016 - tax expense of $832,004). Both of these have been included in loss from discontinued operations, net of tax (see Note 3).

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to income before tax. These differences result from the following:

	2017	2016
Loss before tax from continuing operations	**$ (1,048,770)**	$ (15,553,151)
Statutory income tax rate	**27.00 %**	27.00 %
Expected income tax recovery	**(283,168)**	(4,199,351)
Non-taxable items	**32,256**	(203,214)
Change in unrecognized temporary differences	**(13)**	1,635,276
Change in tax rates and rate differences	**248,448**	17,550
Other	**(9,676)**	122,476
Changes in estimates related to prior years	**(162,025)**	(3,392)
Income tax recovery	**$ (174,178)**	$ (2,630,655)

(b) Recognized deferred tax assets and liabilities

	2017	2016
Deferred tax assets are attributable to the following:		
Intangibles	**$ 1,043,757**	$ 1,081,809
Finance fees	**76,024**	55,564
Finance lease obligation	**155,084**	460,165
Share issue costs	**259,693**	499,208
Investment tax credits	**39,996**	16,059
Donation carryforwards	**203**	203
Non-capital losses	**7,998,438**	7,840,331
Deferred tax assets	**9,573,195**	9,953,339
Offset by deferred tax liabilities below	**(5,889,422)**	(5,949,230)
Net deferred tax assets	**$ 3,683,773**	$ 4,004,109
Deferred tax liabilities are attributable to the following:		
Property, plant and equipment	**$ (9,694,647)**	$ (9,347,429)
Investment tax credits	**(10,799)**	-
Intangibles	**(495,789)**	(568,840)
Investment property	**-**	(232,455)
Unbilled revenue	**(517,444)**	(377,176)
Deferred tax liabilities	**(10,718,679)**	(10,525,900)
Offset by deferred tax assets above	**5,889,422**	5,949,230
Net deferred tax liabilities	**$ (4,829,257)**	$ (4,576,670)

(c) Recognized deferred tax assets and liabilities

The non-capital loss carryforwards expire between 2028 and 2037. Deferred tax assets have not been recognized in respect of the following items because it is not probable that future taxable profit will be available against which the Company and its subsidiaries can utilize the benefits.

	2017	2016
Deductible temporary differences	**$ 1,197,553**	$ 1,197,553
Tax losses	**12,000**	12,000
Income tax expense	**$ 1,209,553**	$ 1,209,553

11. Loans and borrowings

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

Years ended December 31	**2017**	2016
Current portion of loans and borrowings		
Term loan facility	**$ -**	$ 23,340
Current portion of finance lease liabilities	**310,534**	1,160,571
Current portion of mortgage facilities	**88,418**	84,885
Total current portion of loans and borrowings	**398,952**	1,268,796
Non-current portion of loans and borrowings		
Bank loan facility	**20,424,199**	21,214,450
Finance lease liabilities	**263,849**	543,741
Mortgage facilities	**1,046,931**	1,135,325
Total non-current portion loans and borrowings	**21,734,979**	22,893,516
Total loans and borrowings	**$ 22,133,931**	$ 24,162,312

(a) Bank loan facility

The Company has drawn $20,620,301 less transaction costs of $196,102 at December 31, 2017, (2016 - $21,538,218 less transaction costs of $323,768) and the effective interest rate was 5.69% (2016 – 6.0%). The facility was secured by a first charge on all the Company's assets except those secured with other lenders as disclosed below. As at December 31, 2017, the Company is in compliance with all covenants.

Effective August 11, 2016, the Company amended the term and the covenants to its bank loan facility. Beginning September 30, 2016 the Company was required to maintain EBITDA of not less than 85% of forecast. Beginning June 30, 2017, the Company was required to maintain a senior leverage ratio of not more than 6.5; at December 31, 2017, not more than 6.25. Beginning on March 31, 2017 the Company was required to maintain a fixed charge coverage ratio of not less than 1.25. The interest rate on the facility decreased from prime plus 3.5% to prime plus 3.0% with the facility expiring on September 30, 2020. The capital expenditures are not to exceed $1,125,000 in any fiscal year. Upon closing of the sale of TCB assets, the maximum loan amount was reduced to $25,000,000. All other terms and conditions of the facility remain unchanged.

Effective March 23, 2016, the Company amended the covenants to its bank loan facility. Beginning March 31, 2016, the Company was required to maintain a senior leverage ratio of not greater than 7.50, June 30, 2016, 6.00; December 31, 2016, 4.25; March 31, 2017, 3.75; June 30, 2017, 3.50. The Company was required to maintain EBITDA of not less than 85% of forecast from March 31, 2016 to September 30, 2016. Beginning December 31, 2016, the Company was required to maintain a fixed charge coverage ratio of not less than 1.25. The interest rate on the facility increased from prime plus 1.5% to prime plus 3.5% over the remaining term of the loan and the capital expenditure program cannot exceed $1,500,000 in any fiscal year. All other terms and conditions of the facility remain unchanged.

(b) Vendor take-back loans

In connection with the financing of the Westar Oilfield Rentals Inc. acquisition, the Company agreed to vendor take-back loans of a fair value of $1,436,000 (face value of $1,500,000) with the final payment on the balance due in 2016. The loans had interest at an effective rate of 5% (stated rate of prime (3%) and were payable over two years. The first installment of $750,000 plus accrued interest was paid on October 1, 2015. The second and final installment of $750,000, plus accrued interest was fully paid in October 2016.

(c) Term loan facility

The Company has an outstanding term loan facility at December 31, 2017, of $nil (2016 - $23,340). The facility was 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 facility 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 2017**	Carrying value net of transaction costs 2016
Term loan facility #1	Dec 2012	$1,091,100	$997,530	5.735%	0%	48 months	$934,391	**$ -**	$ 23,340

The term loan facility was repaid in full in January 2017.

(d) Finance lease liabilities

The Company has outstanding lease liabilities on various equipment of $574,383 as at December 31, 2017 (2016 - $1,160,571). The leases bear interest from 2.99% - 11.84%, have cumulative monthly payments of $53,154 (2016 - $120,446) and mature at various times over the next 1 - 5 years. The leases are secured by specific equipment with a net book value of $1,821,999 (2016 - $3,815,601) of which $97,053 (2016 - $475,879) pertains to light automotive equipment and $1,724,946 (2016 - $3,339,722) 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	$574,383	$310,534	$263,849	$ -
Interest	38,271	25,784	12,487	-
Future minimum lease payments	$612,654	$336,318	$276,336	$ -

(e) Mortgage facility

In connection with the acquisition of the 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 property and corporate guarantees. The outstanding balance at December 31, 2017 was $1,135,349 (2016 - $1,220,210). The facility is secured by land with a fair value of $3,725,000 (2016 - $3,780,000). The lender has waived the demand provision for the next 365 days after year end provided there are no events of default.

12. Share capital

Authorized:

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

Normal course issuer bid

During the year, the Company repurchased and cancelled 134,500 shares valued at $42,550. The shares were purchased in the open market in accordance with the normal course issuer bid approved by the TSX. The bid commenced June 12, 2017, and will terminate on June 11, 2018, or such earlier time as the bid is completed or terminated at the option of the Company.

Other changes in issued share capital are described in the Share-based payments note contained in these consolidated financial statements.

13. Share-based payments

(a) Stock option program (equity-settled)

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

Outstanding stock options December 31, 2017	**Number**	**Weighted average exercise price**	**Weighted average remaining contractual life (months)**
Stock options, beginning of year	4,835,000	$ 0.34	30
Stock options, December 31, 2017	**4,835,000**	**$ 0.34**	18
Exercisable stock options, December 31, 2017	**4,835,000**	**$ 0.34**	18

Outstanding stock options December 31, 2016	Number	Weighted average exercise price	Weighted average remaining contractual life (months)
Stock options, beginning of year	4,322,167	$ 2.22	14
Cancellation of outstanding options	(4,322,167)	$ (2.22)	-
Issued	4,835,000	$ 0.34	30
Stock options, end of year	4,835,000	$ 0.34	30
Exercisable stock options, December 31, 2016	4,835,000	$ 0.34	30

During the year ended December 31, 2016, the Company cancelled 4,322,167 outstanding options that were previously issued which resulted in the Company recording $359,899 in share-based compensation.

On July 1, 2016, the Company issued 4,835,000 options to Directors, Officers and employees of the Company. The weighted average fair value of the options granted was $0.14 estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	2016
Share price	$0.34
Exercise price	$0.34
Expected term	36 months
Risk-free interest	0.5%
Expected dividends	nil
Volatility	63%

The Company recorded share-based compensation of $688,988 as the options vested immediately.

(b) Share purchase warrants

Years ended December 31	**2017**			2016		
	Number	**Weighted average exercise price**	**Value**	Number	Weighted average exercise price	Value
Warrants outstanding, beginning of year	7,021,768	$ 0.77	$ 1,448,381	7,021,768	$ 0.77	$ 1,448,381
Agent warrants expired	(838,268)	$ 0.75	$ (975,960)	-	$ -	-
Extension of private placement warrants	-	$ -	$ 228,789	-	$ -	-
Warrants outstanding, end of year	**6,183,500**	**$ 0.75**	**$ 701,210**	7,021,768	$ 0.77	$ 1,448,381

On June 15, 2017, the Company extended the expiry date of 6,183,500 warrants originally issued on October 2, 2015. The warrants were extended an additional 12 months. The Black-Scholes Option Pricing model was used to determine the fair value immediately prior to and immediately subsequent to the extension. This resulted in a change in value of $228,789 which is reflected on the Statement of Changes in Equity. The inputs were as follows:

Immediately prior to extension	
Share price	$0.31
Exercise price	$0.50
Expected term	3 months
Risk-free interest	0.9%
Expected dividends	nil
Volatility	63%

Immediately after extension	
Share price	$0.31
Exercise price	$0.50
Expected term	15 months
Risk-free interest	0.9%
Expected dividends	nil
Volatility	63%

14. Loss per share

The loss available to common shareholders and weighted average number of common shares outstanding for comparative basic and diluted loss per share are:

	2017	2016
Weighted average common shares – basic and diluted	**55,641,747**	55,652,374
Net loss and comprehensive loss	**$(936,041)**	$(13,165,040)
Basic and diluted loss per share from continuing operations	**$(0.02)**	$(0.23)
Basic and diluted loss per share from discontinued operations	**$ 0.00**	$ 0.00
Basic and diluted loss per share	**$(0.02)**	$(0.24)

In calculating diluted loss per common share for the year ended December 31, 2017, the Company excluded 4,835,000 stock options and 6,183,500 warrants (2016 - 4,835,000 stock options and 7,021,768 warrants respectively), as their impact was anti-dilutive.

15. 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. Management and consulting fees were paid to companies controlled by Leonard Jaroszuk, President and Chief Executive Officer and Desmond O'Kell, Senior Vice President, as compensation for serving the Company in their roles. Equipment rental fees were paid to a company controlled by Leonard Jaroszuk, President and Chief Executive Officer, and Desmond O'Kell, Senior Vice President and Director, to rent equipment required for operating activities.

As part of managing the Company's fleet of equipment, during the fourth quarter of 2017, the Company sold $407,200 of equipment to a corporation controlled by two officers and two directors of the Company. The exchange amount was agreed to by the parties and resulted in a gain on sale of $nil to the Company.

Years ended December 31	**2017**	2016
Management and consulting fees	**$ 584,192**	$ 929,021
Equipment rental	**150,000**	150,000
	$ 734,192	$ 1,079,021
Proceeds on equipment sold, included in trade and other receivables	**$ 407,200**	$ -

Key management compensation

Years ended December 31	**2017**	2016
Salaries and directors' fees	**$1,195,940**	$1,837,509
Share-based payments	**-**	893,366
	$1,195,940	$2,730,875

16. Supplemental cash flow information

Years ended December 31		**2017**		2016
(a) Changes in non-cash working capital:				
Trade and other receivables	**$**	**(2,476,902)**	$	1,790,959
Unbilled revenue		**168,108**		618,315
Inventories		**247,276**		204,149
Deposits and prepaid expenses		**68,976**		456,183
Trade and other payables		**(363,778)**		(2,300,812)
Income taxes recoverable		**108,808**		424,705
	$	**(2,247,512)**	$	1,193,499
(b) Other non-cash transactions:				
Equipment purchased under finance leases	**$**	**27,417**	$	58,003
Amortization of prepaid borrowing costs		**162,657**		277,568

(c) Cash taxes paid

Cash taxes received for the year ended December 31, 2017, was $424,687 (2016 - $272,729).

17. Post-reporting date events

On March 6, 2018, the Company announced a non-binding letter of intent for the sale of the assets of Calgary Tunnelling & Horizontal Augering Ltd. to a private arm's length purchaser. Total proceeds are expected to be approximately $21 million, subject to certain adjustments for inventory and working capital. All proceeds will be used to reduce debt. Completion of the transaction is subject to negotiation of a definitive purchase agreement, finalization of satisfactory due diligence, obtaining third party consents and approvals and other customary closing conditions.