

## ENTERPRISE GROUP INC. (E – TSX, \$0.35)

Rating: **BUY**  
Target Price: **\$1.20**

**INDUSTRIALS - OIL & GAS, CONSTRUCTION & INFRASTRUCTURE SUPPORT SERVICES**

ENTERPRISE GROUP, INC.		TSX : E	
<i>(Currency is C\$ unless noted otherwise)</i>			
Closing Price February 26, 2013			\$0.35
12 Month Target Price			\$1.20
Dividend (annual)			\$0.00
Dividend Yield			0.0%
Potential Total Return			242.9%
52 Week Range			\$0.13 - \$0.47
Average Daily Volume (100-Day)			216,561
<b>MARKET INFO</b>			
Market Cap (millions)			\$19.3
Enterprise Value (millions)			\$30.0
Shares O/S (000's)			55,115
Fully Diluted (000's)			58,466
<b>FYE: DEC 31</b>	<b>2011A</b>	<b>2012E</b>	<b>2013E</b>
Revenue (millions)	\$17.9	\$20.0	\$29.9
Revenue Growth (%)	14.5%	11.7%	49.8%
EBITDA (millions)	\$1.6	\$4.1	\$11.8
EBITDA Margin (%)	8.7%	20.3%	39.6%
Fully Diluted EPS	\$0.00	\$0.03	\$0.15
Cash (millions)	\$0.4	\$1.8	\$7.7
Total Debt (millions)	\$4.9	\$12.1	\$9.5
<b>VALUATION</b>	<b>2011A</b>	<b>2012E</b>	<b>2013E</b>
EV / EBITDA	6.5x	7.4x	2.5x
P/E (tax adjusted basis)	n/m	15.0x	3.4x
Website: <a href="http://www.enterprisegrp.ca">www.enterprisegrp.ca</a>			
<b>DISCLOSURE:</b>			5
<i>(Please refer to the applicable disclosures that are listed on the back page)</i>			

Source: Thomson One, M Partners



### Management & Major Shareholders

	Shares (M)	Percentage Of Outstanding
Jaroszuk, Leonard D.	9.074	14.9%
Ingram, Ronald	0.600	1.0%
O'Kell, Desmond	0.168	0.3%
Cabral, Warren	0.144	0.2%
Pinsent, John H. C.	0.050	0.1%
<b>Total</b>	<b>10.036</b>	<b>16.5%</b>

Source: Capital IQ, ThomsonOne & Bloomberg

## CAPTURING ALBERTA'S UPSIDE

- Enterprise Group Inc. is a high growth industrial company that plans to expand its existing three industrial business segments while looking for further growth through acquisition opportunities in related businesses.
- Given its concentrated exposure to Alberta, we believe Enterprise Group will benefit from Alberta's relatively stronger growth in 2013 versus the rest of Canada. Our P/E and EV/EBITDA multiples capture this exposure and the growth associated by having a presence in the region.
- Enterprise Group is a turnaround and transformational story given the acquisitions it has made and the new business segment it has entered. We believe Enterprise Group is trading at a deep discount relative to its peers as the current valuation does not reflect the acquisitions, new business segments and the resulting growth expected in 2013; especially when this growth is compared to its peers. Trading at a 3.4x 2013 P/E multiple (M Partners estimate) vs. its peers at 10.9x, there remains tremendous upside to our target price.

### TAILWINDS ACROSS ALL 3 BUSINESSES HEADING INTO 2013

Enterprise Group Inc. is a diversified construction, utilities and oilfield services company with three operational business segments: TC Backhoe & Directional Drilling, Artic Therm and E One Limited.

- TC Backhoe & Directional Drilling is involved in the construction and underground installation of utilities & pipelines for industrial, commercial & residential properties in western Canada, focusing on the installation and repair of underground utility services in new subdivisions; providing hydrovacating, trenching, plowing and backhoe/dozer work services. **TC Backhoe & Directional Drilling has doubled its serviceable territory in the Edmonton region as it heads into 2013.**
- Artic Therm was acquired by Enterprise Group in September 2012 and provides advanced, flameless heat technology; renting flameless heaters to broad based construction and oil & gas industries in Alberta. **Artic Therm operates with EBITDA margins greater than 50%.**
- E One Limited rents heavy equipment to construction contractors whose core fleet cannot meet demand. The fleet is comprised of excavators, bulldozers and pipe-layers which are rented out at \$5,500 to \$19,500 per month. E One Limited typically operates with a 60% to 80% utilization rate; **in 2013, we expect the utilization rate will be at the high end of the range.**

### VALUATION AND RECOMMENDATION

- Our P/E valuation, which is based on a 12.0x multiple applied to our 2013 tax adjusted EPS estimate of \$0.10 (actual 2013 EPS estimate is \$0.15), values Enterprise Group at \$1.25 per share. Enterprise Group's 2013 tax adjusted EPS is expected to grow from an estimated \$0.03 in 2012 to \$0.10 in 2013 (M Partners estimates); this massive growth vs. that of the comparable group suggests that Enterprise Group is trading at a deep valuation discount compared to its peers.
- The comparables are trading at a multiple of 5.2x 2013 EBITDA. With Enterprise Group only trading at 2.5x on a 2013 EBITDA basis, we believe Enterprise Group is not fairly valued relative to its peers. We believe that a 7.0x multiple is appropriate given its growth profile relative to its peers, thus valuing Enterprise Group at \$1.18 on an EV/2013 EBITDA basis.
- We are initiating coverage on Enterprise Group with a BUY recommendation and a twelve month \$1.20 target price. Our valuation is based on a 12.0x P/E multiple applied to our 2013 tax adjusted EPS of \$0.10 (actual 2013 EPS estimate is \$0.15) which translates into a 7.0x EV/2013 EBITDA multiple.

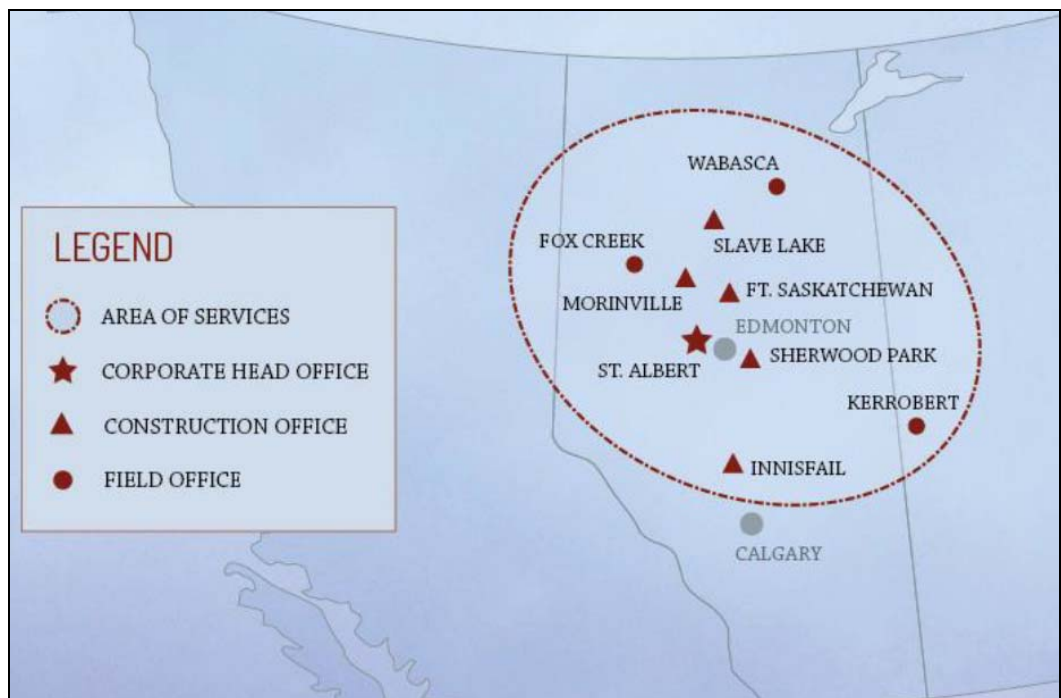
**OVERVIEW**

Enterprise Group Inc. is a diversified construction, utilities and oilfield services company which operates in the energy, utility and transportation infrastructure industry in Alberta. The company has three core businesses with its primary business TC Backhoe & Directional drilling focusing on underground construction & maintenance and above ground plants & facilities. Artic Therm, acquired in September 2012, focuses on the rental of state of the art flameless heating equipment. In Q1/12, Enterprise launched E One Limited which rents heavy Energy Service equipment to fill contractor's excess demand.

Focused in Alberta, Enterprise is well positioned to service the growing energy sector's need for construction and infrastructure equipment. The company was initially formed in 2004 when the company IPO'd under the name Enterprise Oilfield Group, but changed its name to Enterprise Group Inc. in July 2012 to reflect its diversification away from the original energy services business. Enterprise is strategically located near its customers with its headquarters in St. Albert, Alberta, a sales office in Calgary, construction offices in Slave Lake, Sherwood Park, Morinville and Innisfail, and field offices in Wabasca and Fox Creek.

Through its three distinct businesses, Enterprise Group, Inc. provides services for utility, construction and oilfield companies located in Alberta.

**FIGURE 1: SERVICE FOOTPRINT**



Source: Company Reports

**BUSINESS SEGMENTS**

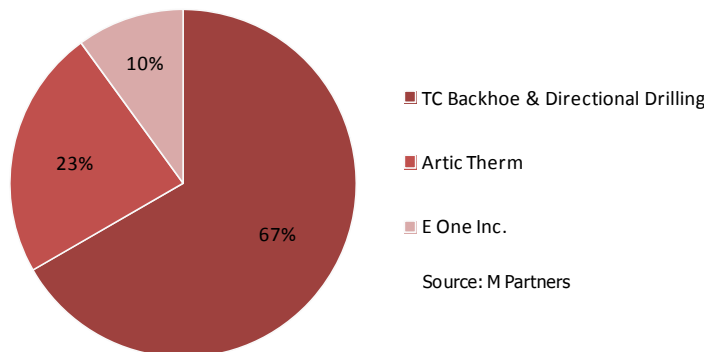
Enterprise is a growing consolidator of businesses; its current mix of three businesses provides a range of services to the energy, utility and construction sectors in western Canada. Enterprise Group's different business segments work in tandem with one another to provide services to underground utility and directional drilling customers which typically peak in the summer and fall months, while its flameless heating services business is most active during oil & gas exploration in the winter months. We estimate a revenue split of 67% / 23% / 10% for TC Backhoe, Artic Therm and E One respectively in 2013.

Enterprise provides utilities installation and directional drilling services through its TC Backhoe & Directional Drilling company, flameless heating rentals through Artic Therm and heavy equipment rental through E One Inc.



**FIGURE 2: SEGMENT REVENUE ~ M PARTNERS 2013 ESTIMATE**

67% of Enterprise's Revenue is derived from TC Backhoe & Directional Drilling, 23% from Artic Therm and 10% from E One Rentals, with the latter two segments growing at a fast rate than TC Backhoe.



- TC Backhoe & Directional Drilling
- Artic Therm
- E One Inc.

Source: M Partners

TC Backhoe installs and repairs utility services underground in new subdivisions and also provides hydrovacating, trenching & plowing, backhoe and dozer work in all regions in the Greater Edmonton area.

**UTILITIES INSTALLATION AND DIRECTIONAL DRILLING SERVICES:**

**TC Backhoe & Directional Drilling** is involved in the construction and underground installation of utilities and pipelines for industrial, commercial and residential properties in western Canada. Headquartered in Sherwood Park Alberta, its focus is the installation and repair of utility services underground in new subdivisions and also provides hydrovacating, trenching & plowing, backhoe and dozer work. Over 35 years of industry experience has led to relationships with some of the province's largest developers including Qualico, Genstar and Landrex. TC Backhoe benefits from the rapid expansion of infrastructure in the region; its customers include Canada's largest providers of telecommunications, cable television, electricity and natural gas services including Fortis, EPCOR, Telus, Bell, Shaw and the government of Alberta.

Enterprise expects the TC Backhoe & Directional Drilling business to account for approximately two thirds of the 2013 revenue with a large portion of incremental revenue coming from a newly awarded contract for the southern and western regions of Edmonton. TC Backhoe now services all of the metro Edmonton area (it previously had rights to the eastern and northern regions of Edmonton), which includes all residential and suburb construction in the greater Edmonton area as well as large commercial infrastructure projects by companies like Enbridge, MEG Energy, etc. The business provides a good visibility into future earnings as about 40% of TC Backhoe's revenues are generated from long term 12 to 18 month contracts.

Artic Therm provides advanced, flameless heat technology; renting flameless heaters to broad based construction and oil & gas industries in western Canada.

**FLAMELESS HEATING RENTALS:**

**Artic Therm International Ltd.** provides advanced, flameless heat technology; renting flameless heaters to broad based construction and oil & gas industries in western Canada. Artic Therm's patented technology provides flameless, dry, contaminant-free heat in the form of warm air, creating a safe working environment. Founded in 1998, Artic Therm was acquired by Enterprise in September 2012 for total consideration of \$6.5 million (see Growth Opportunities & Expansion section below for further details) which we estimate is equivalent to approximately 2.4x EBITDA on a trailing basis or approximately 1.1x EBITDA on a forward basis given Enterprise's immediate investment in additional heating units for Artic Therm and its subsequent expected ramp-up. This compares to Enterprise, which is trading at 7.4x and 2.5x EBITDA on a trailing and forward basis respectively. The Artic Therm business provides the greatest opportunity for growth; we expect growth of more than 50% in 2013 over the 12-month trailing revenue at the time of acquisition.

The current inventory of approximately 84 units range from 500,000 BTUs to 3,000,000 BTUs, with the larger unit rentals including crews. Most rentals do not include diesel costs, which de-risks the business. The flameless heaters are most commonly used for pipeline pre-expansion work but additional applications include heating, thawing and drying of pipeline equipment, as well as secondary heat for labourers working in cold conditions in Alberta.

With the expansion of its rental fleet post acquisition, we believe Artic Therm is well positioned to more than double its revenue in 2013.

We anticipate Artic Therm revenue growing from \$4.7 million in revenue (pre-acquisition) to approximately \$7.0 million revenue in 2013. This increase will be driven by the additional units purchased during Q4/12, increased utilization of the existing units and the marketing and expansion of new target markets. Enterprise continues to see strong demand in the energy services industry and has already begun to pre-book units into next winter. The company's strategy, which is more aggressive than the previous Artic Therm mentality (which focused on maintaining business from existing customers rather than growth), is to strive to operate at effective 100% utilization, to fill downtime in the summer months with added revenue from the climate control business and to expand into previously untapped markets such as Fort McMurray. Additional capital expenditures grew Enterprise's inventory of small heaters from approximately 50 units to 80 units and will double its medium-large heaters (1,500,000 BTUs to 3,500,000) from four to eight.

**FIGURE 3: ARTIC THERM UNITS RANGING FROM 500,000 TO 3,000,000 BTUS**



Source: Company Reports

The new large scale units will be hybrid triaxel back in units, which will provide 2,500,000 BTUs of heat, packing the power of the large units into the lighter more manoeuvrable medium sized trailers. More than half of Artic Therm's revenue is generated through the existing medium and large units, therefore we expect a large uptick in revenue following the addition of these 4 "hybrid" units. Enterprise should also be able to charge a premium for the increased functionality of these units which would in turn drive revenue and margins higher.

#### HEAVY EQUIPMENT RENTAL

**E One Limited** takes advantage of increasing energy sector demand for construction equipment in central and northern Alberta. Officially established in Q1/12 as a way to monetize excess capacity from the legacy Energy Services segment, E One rents heavy equipment to construction contractors whose core fleet cannot meet demand. The heavy equipment fleet is comprised of excavators, bulldozers and pipe-layers which are rented out at \$5,500 to \$19,500 per month. With a fleet of over 200 trucks and 40 pieces of heavy construction equipment, E One has the equipment and the expertise to undertake a project from start to finish. Enterprise's fleet has historically operated between 60% and 80% capacity but management expects E One to operate at the higher end of the range going forward as energy sector demand remains high.

The fleet of more than 200 units was used by Enterprise's original pipeline construction & maintenance business called Enterprise Energy Services Inc which specialized in small to medium diameter pipeline construction (up to 12") and maintenance projects in the energy services industry. This business now contributes an immaterial amount to overall Enterprise's consolidated revenue as increased competition has decreased contract margins. The segment still services legacy contracts out of the Slave Lake region including Apache and Pennwest, but is not actively seeking new clients and Enterprise has diversified its business away from this sector. The business also constructs facilities, performs directional drilling and larger diameter drilling, underground utility installation and road & lease construction.

**E One rents heavy equipment to construction contractors through its fleet of over 200 excavators, bulldozers and pipelayers which are rented out at \$5,500 to \$19,500 per month.**

**We expect accretive acquisitions of higher margin businesses as well as higher utilization of its existing but growing fleet will drive higher profitability for the Enterprise Group.**

**Solid cash flows are expected to be used to pay down (and pay off) Enterprise's credit facilities.**

**In 2013, Enterprise is expected to benefit from a strong and growing Alberta economy and recent investments made into its various businesses.**

## **GROWTH OPPORTUNITIES & EXPANSION**

In September 2012, Enterprise's acquired all of the issued and outstanding shares of Artic Therm for total consideration of \$6.5 million. The acquisition was funded through the issuance of two million shares at \$0.25, vendor take-back financing of \$1 million to be paid over two years and \$5.0 million cash funded by Enterprise's credit facility. Artic Therm generated \$4.7 million in revenue and \$2.7 million in EBITDA in the twelve months prior to being acquired. With an EBITDA margin of about 55%, the acquisition will raise Enterprise's consolidated margins and profitability given Enterprise operated with a 16.8% EBITDA margin for the trailing 12-months prior to the acquisition. As the company grows its fleet, we can also expect to see increasing economies of scale as a result of synergies between Artic Therm and E One.

Going forward, management expects substantial organic growth from its operations due to ongoing demand for its services and the expansion of its rental division. As a result, Enterprise has undertaken significant capital expenditures to increase its rental fleet to meet this growing demand. The company has also identified multiple acquisition targets to grow its rental divisions, which if acquired, will contribute significantly to the overall growth and diversity of the company. None of these future acquisitions are factored into our 2013 estimates.

## **CREDIT FACILITY**

In May of 2011, a forest fire combined with 100km per hour winds forced the evacuation of the entire seven thousand person population of Slave Lake. The fire caused nearly \$700 million in damages to roughly a third of properties in Slave Lake, the second highest insured disaster in Canadian history. Enterprise qualified for 0% interest rate debt financing offered by the government of Alberta which was intent on retaining local businesses in Slave Lake. Enterprise currently has about \$1.2 million outstanding on this credit facility and reports in its financial statements (as per IFRS), an interest cost using a 5.5% interest rate.

On September 13, 2012, Enterprise entered into a \$12.5 million senior secured credit facility agreement with PNC bank of Canada. Enterprise financed \$5 million of its Artic Therm acquisition using this line of credit which currently has a \$6 million outstanding balance that it is repaying at a rate of approximately \$1 million per month.

## **OUTLOOK**

A number of favourable market conditions which have contributed to Enterprise's success are expected to continue for through 2013 and beyond.

According to Statistics Canada, the province of Alberta is expected to lead all Canadian provinces in both GDP growth and employment growth in 2013. Essentially all of Enterprise's underground utility and infrastructure division is operating at or near capacity due to a recently signed multi-year contract with one of Canada's premier power suppliers. As well, the division has a significant backlog that will carry it through 2013 and beyond.

Part of this growth in GDP and employment will be driven by a net immigration into Alberta, which coupled with a low interest rate environment, is expected to contribute to continued growth in housing starts. Enterprise's largest customers in the homebuilding industry are forecasting strong growth over the next two years, which we believe will drive demand for the company's underground utility division through 2013. As well, the E One equipment rental division is in high demand and with its "beefed up" fleet, is well positioned to take advantage of the continued strength in the construction industry.

Historically low interest rates and relatively stable crude oil prices have created an environment in which the energy sector is expected to continue its growth as capital expenditures into the industry continues. Demand for the construction, road lease building, drilling and completion services provided by Enterprise should continue to increase as the energy sector drives Enterprise's organic growth. Additionally, the new Artic Therm business has yet to report its seasonally strong fourth quarter; which will also benefit from its increased fleet which increased by about 60% (or 30 units) in September, in advance of the winter season and the early start to what has been a long and cold winter.

A healthy market for Enterprise's pipeline construction & maintenance and utilities installation and directional drilling services will allow the company to only bid on projects which it believes offer competitive margins. Additionally, smaller high margin, forced account/hourly projects are also being awarded and bid on by Enterprise as it continues to high grade its revenue and exit out of low profit contracts. With the vast majority of the revenue high-grading now complete, we believe revenue and profitability will grow through 2013 and beyond.

**FINANCIAL OUTLOOK & ESTIMATES**

Construction and utilities activity and oil field services in Alberta are expected to continue to improve driven by Alberta's GDP and population growth which is expected to grow faster than the Canadian average.

The acquisition of Artic Therm and the growth of its fleet and that of E One are expected to drive top and bottom line growth in 2013.

We are expecting Enterprise Group to reinvest cash in further organic growth initiatives in 2013.

We see EBITDA reaching \$11.85 million in 2013, up from an estimated \$4.06 million in 2012.

We are forecasting \$0.03 of fully diluted EPS in 2012, increasing to \$0.15 in 2013.

Our over-arching macro thesis is that Alberta is going to continue to lead Canada in terms of economic growth and companies that operate in Alberta will do well.

We believe construction activity and oil field services in western Canada will continue to improve driven by Alberta's GDP and population growth which is expected, according to Statistics Canada, to grow faster than the Canadian average as a result of the agricultural, oil & gas and mining industries. As such, general construction and infrastructure spending will need to keep pace with this growth which should benefit the Enterprise Group.

Our key assumptions include:

- An 11.7% increase in **revenue** in 2012 and a 49.8% increase in 2013
  - We expect to see about 20% organic growth in 2013 with the remainder of the year-over-year increase driven by the Artic Therm acquisition.
  - We are assuming **Artic Therm** will generate about \$7 million in revenue in 2013, driven by the investment made in (and addition of) 30 trailer/dry rent heater unit, increasing that fleet to 80 units; Artic Therm has an additional 4 units that are larger and come with crews. With 90% utilization rates, we are assuming the additional unit will accelerate the revenue growth from this business unit.
  - Growth in **E One** is expected to drive revenue from this group to about \$3 million in 2013. Our growth assumption for E One is driven by our belief that: 1) utilization rates in 2013 will be at the higher end of the historical 60% to 80% range, and 2) this higher utilization coupled with an investment made in fleet expansion will magnify the growth from E One.
  - **TC Backhoe & Directional Drilling** revenue is expected to grow by 26% in 2013 to about \$20 million. The strength in 2013 is partly driven by the increased territories around Edmonton that it is now able to sell its services into (was recently granted regions to the south and west of Edmonton) as well as continued strength from its existing territories to the north and the east of Edmonton.
  - Given the relative strength of Alberta within Canada, driven by solid activity in the oil & gas industry and a strong agricultural sector, we believe further investments in infrastructure projects will continue in order to keep up with this growth.
- **Cost of sales** trending with revenue growth albeit at a much slower pace, leading to Gross Margin improvement of 15 points in 2013, in addition to the 9 point improvement we expect to see in 2012.
- **CAPEX** is expected to be less than the estimated \$2.8 million incurred in 2012 as 2013 CAPEX will mainly be associated with its investment in 4 new "hybrid" & large heating units and other smaller heater units.

Our key estimates:

- **EBITDA** increasing to \$11.9 million (**EBITDA margin** of 39.6%) in 2013, up from an estimated \$4.1 million (EBITDA margin of 20.3%) in 2012 and up from \$1.6 million in 2010. Our estimates reflect the high-grading of Enterprise's revenue over the last 2 years and its move into other businesses both through organic and acquisition initiatives which are higher margin businesses.
- \$0.15 of **fully diluted EPS** in 2013, up from an estimated \$0.03 in 2012, driven by the increases in revenue and EBITDA highlighted in this report. Note however that the EPS of \$0.15 that we are estimating for 2013 is essentially all non-taxed earnings as Enterprise currently has about \$9.5 million in **tax loss carry forwards** which we expect will be all used up by the end of 2013.

**VALUATION**

In valuing Enterprise Group, we use comparable P/E and EBITDA multiples based on 2013 M Partners and consensus estimates and then apply those multiples to our 2013 estimates.

In terms of P/E multiples, the comparables are trading at 22.8x 2013E earnings with expected consensus growth of negative 4%. However, there are two companies which are skewing the average; excluding these two companies (as well as Enterprise Group), the comparables are trading at 10.9x on a 2013E P/E basis. Enterprise Group is currently trading at 3.4x estimated (M Partners) 2013 EPS which is well below that of the consensus average. With Enterprise Group's earnings expected to grow from an estimated \$0.03 in 2012 to \$0.15 in 2013 (M Partners estimates); this massive growth versus that of the comparable group seems to suggest (in our opinion) that Enterprise Group is trading at a deep valuation discount compared to its peers.

Since Enterprise Group has a market capitalization below \$1 billion, we are using a 12 times P/E multiple to value the company.

While we do value the large, \$1 billion plus market capitalization dealerships companies, like Finning and Toromont, using a 14x forward P/E multiple and while we do expect the valuations of large capitalization industrials to typically trade at a 14x to 16x forward P/E multiple, we typically use a 12x forward P/E multiple to value industrials that have a market capitalization below \$1 billion. With Enterprise Group having a market capitalization of \$24 million (along with a growth through acquisition profile), we believe using a 12x forward P/E multiple to value the company is reasonable.

When we apply a 12.0x EPS multiple to our tax adjusted 2013 EPS estimate of \$0.10 (our actual EPS estimate for 2013 is \$0.15), we value Enterprise Group at \$1.25 per share.

When we apply a 12x EPS multiple to our tax adjusted 2013 EPS estimate of \$0.10 (our actual EPS estimate for 2013 is \$0.15), we value Enterprise Group at \$1.25 per share.

Note, our actual 2013 EPS estimate is \$0.15 however, for valuation purposes, we apply a 30% tax rate to arrive at a tax adjusted EPS estimate of \$0.10. We use a tax adjusted EPS estimate for our valuation because Enterprise Group is currently not taxable due to the approximately \$9.5 million in tax loss carry forwards that it currently has to utilize to offset its taxes completely. We expect these tax losses to be completely utilized by the end of 2013. Assuming no other material amounts of tax loss carry forwards are obtained through future acquisitions, Enterprise Group will be fully taxable in 2014.

The comparables are trading at a multiple of 5.2x 2013 EBITDA. However, three of the six comparables are trading at multiples higher than 6.0x and with Enterprise Group only trading at 2.5x on a 2013 EBITDA basis, we believe Enterprise Group is not fairly valued relative to its peers and believe that a 7.0x multiple is appropriate as we would expect to see Enterprise Group and all of its comparables trading at that level in the future as each company proves out its earnings potential as companies like Badger Daylighting and WesternOne Inc. have done. Furthermore, Enterprise Group revenue is expected to grow by 53% in 2013, comparable to WesternOne's expected 2013 revenue growth rate of 57% and far exceeding Badger Daylighting's 6% expected 2013 revenue growth rate. We believe these growth rates further highlight the valuation disparity between Enterprise Group and its comparables and in our view, justifies the use of multiples that are similar to the multiples used to value its comparables.

We are also using a 7x EV/2013 EBITDA multiple to value Enterprise Group which values the company at \$1.18 per share.

Furthermore, given Enterprise Group's growth by acquisition profile, we believe that applying a 7.0x EV/EBITDA multiple to Enterprise Group is appropriate. Note that WesternOne Inc., which has a similar growth through acquisition strategy and competes with Enterprise Group in the heat rental business, is currently trading at a 5.8x EV/2013 EBITDA multiple and we value it by applying a 7.0x multiple. By applying a 7.0x multiple to our 2013 estimate, we value Enterprise Group at \$1.18 per share on an EV/2013 EBITDA basis.

We believe that the western Canadian provinces, and in particular, Alberta, will lead Canadian growth given their exposure to commodities and the agricultural industry. Given its concentrated exposure to Alberta, we believe Enterprise Group will benefit from the relative stronger growth in Alberta and that our P/E and EV/EBITDA multiples capture this exposure and the growth associated by having a presence in the region.

Enterprise Group IPO'd during 2007 and with the recession that occurred and the businesses it exited since IPO, Enterprise Group not generated positive EPS and thus, we cannot compare historical trading P/E multiple ranges. While our 12.0x valuation P/E multiple is slightly higher than the industry (comparable) average of 10.9x (when excluding two of the comparable companies), it is reflective of the growth we expect out of Enterprise Group.

Enterprise Group operates in western Canada (northeastern BC, Alberta & Saskatchewan) with concentration in Alberta, a part of Canada that is expected to outperform other jurisdictions in Canada in terms of economic growth. By only operating in Canada, Enterprise Group's currency risk is small and limited to fluctuations in the US dollar which it uses to acquire the smaller heating units (in US dollars). In 2013, management expects it will increase the small heater unit fleet by approximately \$2 million (in Canadian dollars). With no country, government or nationalization risks inherent with operating in Canada; by serving various industries like oil, gas, construction, utilities, housing, etc., Enterprise Group is primarily exposed to risks associated with an economic slowdown in western Canada or specifically in Alberta.

**FIGURE 4: COMPARABLE TABLE**

Company Name	Closing Price	Market Cap (\$m)	Yield	Revenue			EBITDA			EPS		
				2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E
Essential Energy Services Ltd. (TSX:ESN)	\$2.05	\$254.2	4.7%	\$317.21	\$347.89	\$357.84	\$69.15	\$72.40	\$80.40	\$0.30	\$0.25	\$0.27
Petrowest Corporation (TSX:PRW)	\$0.80	\$98.2	0.0%	\$190.03	\$202.60	\$235.80	\$29.23	\$35.05	\$45.58	n/a	\$0.09	\$0.12
CERF Incorporated (TSXV:CFL)	\$3.07	\$35.8	7.9%	\$26.61	\$33.23	\$42.79	\$4.08	\$7.63	\$12.39	\$0.16	\$0.05	\$0.21
Badger Daylighting Ltd. (TSX:BAD)	\$33.72	\$415.7	3.2%	\$194.18	\$232.98	\$246.31	\$52.81	\$60.82	\$66.28	\$2.38	\$2.43	\$2.30
North American Energy Partners Inc. (NYSE:NOA)	\$4.30	\$155.9	0.0%	\$858.05	\$967.07	\$813.89	\$37.78	\$61.32	\$80.12	n/a	n/a	\$0.07
WesternOne Inc. (TSX:WEQ)	\$8.55	\$180.9	7.1%	\$109.43	\$222.76	\$350.09	\$24.38	\$48.28	\$57.09	n/a	n/a	\$0.25
<b>Average</b>		<b>\$190.1</b>	<b>3.8%</b>									
<b>Enterprise Group, Inc. (TSX:E)</b>	<b>\$0.35</b>	<b>\$19.3</b>	<b>0.0%</b>	<b>\$17.88</b>	<b>\$19.98</b>	<b>\$30.60</b>	<b>\$1.56</b>	<b>\$4.06</b>	<b>\$11.85</b>	<b>n/a</b>	<b>\$0.03</b>	<b>\$0.15</b>

Company Name	EV/EBITDA			P/E		
	2011	2012E	2013E	2011	2012E	2013E
Essential Energy Services Ltd. (TSX:ESN)	4.4x	4.2x	3.8x	6.8x	8.2x	7.6x
Petrowest Corporation (TSX:PRW)	5.7x	4.8x	3.7x	n/a	8.9x	6.7x
CERF Incorporated (TSXV:CFL)	13.3x	7.1x	4.4x	19.2x	61.4x	14.6x
Badger Daylighting Ltd. (TSX:BAD)	8.3x	7.2x	6.6x	14.2x	13.9x	14.7x
North American Energy Partners Inc. (NYSE:NOA)	13.0x	8.0x	6.1x	n/a	n/a	59.4x
WesternOne Inc. (TSX:WEQ)	14.9x	7.5x	6.4x	n/a	n/a	33.6x
<b>Average</b>	<b>10.0x</b>	<b>6.5x</b>	<b>5.2x</b>	<b>13.4x</b>	<b>23.1x</b>	<b>22.8x</b>
<b>Enterprise Group, Inc. (TSX:E)</b>	<b>19.2x</b>	<b>7.4x</b>	<b>2.5x</b>	<b>n/a</b>	<b>7.4x</b>	<b>3.4x</b>

Source: Company Reports, Capital IQ and M Partners



**FIGURE 5: VALUATION TABLE**

	2008	2009	2010	2011	Q1/12	Q2/12	Q3/12	Q4/12 E	2012 E	Q1/13 E	Q2/13 E	Q3/13 E	Q4/13 E	2013 E
Revenues	\$ 39,761,680	\$ 27,699,442	\$ 15,623,490	\$ 17,883,710	\$ 3,631,355	\$ 3,891,514	\$ 4,333,529	\$ 8,122,306	\$ 19,978,704	\$ 8,172,489	\$ 5,450,420	\$ 6,655,092	\$ 9,656,358	\$ 29,934,359
Growth		-30.3%	-43.6%	14.5%	-14.2%	48.8%	-9.9%	30.5%	11.7%	125.1%	40.1%	53.6%	18.9%	49.8%
EBITDA	\$ 4,765,955	(\$ 1,647,268)	(\$ 1,525,016)	\$ 1,561,727	\$ 528,361	\$ 672,178	\$ 860,304	\$ 1,998,055	\$ 4,058,898	\$ 3,558,926	\$ 1,231,450	\$ 2,007,518	\$ 5,051,252	\$ 11,849,146
Margin	12.0%	-5.9%	-9.8%	8.7%	14.5%	17.3%	19.9%	24.6%	20.3%	43.5%	22.6%	30.2%	52.3%	39.6%
per share	\$ 0.11	(\$ 0.04)	(\$ 0.03)	\$ 0.03	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.07	\$ 0.06	\$ 0.02	\$ 0.03	\$ 0.08	\$ 0.19
EBIT	\$ 2,194,258	(\$ 3,493,077)	(\$ 3,095,355)	\$ 302,475	\$ 224,102	\$ 366,248	\$ 494,255	\$ 1,396,943	\$ 2,481,548	\$ 3,072,330	\$ 732,555	\$ 1,517,014	\$ 4,542,768	\$ 9,864,665
Margin	5.5%	-12.6%	-19.8%	1.7%	6.2%	9.4%	11.4%	17.2%	12.4%	37.6%	13.4%	22.8%	47.0%	33.0%
per share	\$ 0.05	(\$ 0.08)	(\$ 0.06)	\$ 0.01	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.04	\$ 0.05	\$ 0.01	\$ 0.02	\$ 0.07	\$ 0.16
EPS (fully diluted to common shareholders)	(\$ 0.30)	(\$ 0.06)	(\$ 0.11)	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.00	\$ 0.02	\$ 0.03	\$ 0.05	\$ 0.01	\$ 0.02	\$ 0.07	\$ 0.15
Operating Cashflow	\$ 1,852,786	\$ 5,539,986	(\$ 1,069,745)	\$ 405,269	\$ 921,812	\$ 905,521	\$ 338,571	\$ 384,858	\$ 2,550,762	\$ 1,034,985	\$ 4,578,221	\$ 548,506	\$ 4,326,225	\$ 10,487,936
CFPS	\$ 0.04	\$ 0.13	(\$ 0.02)	\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.01	\$ 0.01	\$ 0.04	\$ 0.02	\$ 0.08	\$ 0.01	\$ 0.07	\$ 0.17
Weighted Average Number of Shares Outstanding (FD)	41,637,250	42,192,600	48,681,700	51,515,810	54,985,600	55,430,380	58,465,950	60,165,950	57,261,970	60,966,697	60,966,697	60,966,697	60,966,697	60,966,697
Long-term Debt	\$ 11,983,496	\$ 5,410,921	\$ 5,476,160	\$ 4,918,708	\$ 4,674,903	\$ 4,517,845	\$ 12,113,386	\$ 12,113,386	\$ 12,113,386	\$ 12,113,386	\$ 10,013,386	\$ 9,513,386	\$ 9,513,386	\$ 9,513,386
Long-term Debt Due in One Year	\$ 9,776,875	\$ 5,294,481	\$ 4,647,505	\$ 3,664,487	\$ 3,495,419	\$ 3,171,038	\$ 449,786	\$ 449,786	\$ 449,786	\$ 449,786	\$ 349,786	\$ 349,786	\$ 349,786	\$ 349,786
Less: Cash	\$ 607,297	\$ 1,667,558	\$ 392,043	\$ 357,214	\$ 755,833	\$ 541,749	\$ 1,888,094	\$ 1,772,952	\$ 1,772,952	\$ 2,307,937	\$ 3,786,158	\$ 3,834,663	\$ 7,660,888	\$ 7,660,888
Net Debt	\$ 21,153,074	\$ 9,037,844	\$ 9,731,622	\$ 8,225,981	\$ 7,414,489	\$ 7,147,134	\$ 10,675,078	\$ 10,790,220	\$ 10,790,220	\$ 10,255,235	\$ 6,577,014	\$ 6,028,509	\$ 2,202,284	\$ 2,202,284
per share	\$ 0.51	\$ 0.21	\$ 0.20	\$ 0.16	\$ 0.13	\$ 0.13	\$ 0.18	\$ 0.18	\$ 0.19	\$ 0.17	\$ 0.11	\$ 0.10	\$ 0.04	\$ 0.04
EV / EBITDA Multiples @	6.0								\$ 0.24					\$ 0.98
	7.0								\$ 0.31					\$ 1.18
	8.0								\$ 0.38					\$ 1.37
EV / EBIT Multiples @	7.5								\$ 0.14					\$ 1.03
	8.5								\$ 0.19					\$ 1.19
	9.5								\$ 0.23					\$ 1.35
P/E Multiples @	11.0								\$ 0.37					\$ 1.15
(after applying a 30% tax rate to normalize the EPS)	12.0								\$ 0.40					\$ 1.25
	13.0								\$ 0.43					\$ 1.36

Source: Company Reports and M Partners Estimates

**Our current 12x 2013 P/E multiple and our 7x EV/EBITDA multiples are the same multiples we use to value Strongco (a micro cap equipment dealership company) and WesternOne Inc., which is a comparable to Enterprise Group.**

## RECOMMENDATION

While globally there remains some economic concerns and while pipeline constraints are causing Alberta oil to be deeply discounted, oil and agricultural commodity prices remain high and we believe economic activity in Alberta will remain strong, driving demand for Enterprise Group's services.

We are initiating coverage on Enterprise Group Inc. with a BUY recommendation and a \$1.20 12-month target price.

Our valuation is based on a 12.0 times P/E multiple applied to our 2013 fully diluted, and adjusted for tax EPS estimate of \$0.10 (actual M Partners EPS estimate is \$0.15) which translates into a 7.0x EV/2013 EBITDA multiple.

Note that Enterprise Group is not taxable due to the approximately \$9.5 million in tax loss carry forwards that it currently has to utilize to offset its taxes completely. We expect these tax losses to be completely utilized by the end of 2013. Assuming no other material amounts of tax loss carry forwards are obtained through future acquisitions, Enterprise Group will be fully taxable in 2014. Thus, we use a tax adjusted (using a 30% tax rate) EPS estimate of \$0.10 (versus our actual \$0.15 EPS estimate which corresponds with what we believe Enterprise will report) in our valuation for Enterprise Group.

The 12.0x P/E valuation that we are using to value Enterprise Group is the same multiple we use to value Strongco, which is a micro cap dealership and rental company that we provide research coverage on and the 7.0x EV/EBITDA multiple is the same multiple used to value WesternOne Inc., which is a comparable to Enterprise Group given its heater rental business.

## INVESTMENT RISKS

Investment risks include uncertainties related to pipeline and facilities construction and maintenance services associated with the oil & gas industries, utility services and the domestic & worldwide supplies and commodity prices of oil & gas. These risks and uncertainties include seasonal weather patterns, government regulation of energy and resource companies, the price and the availability of alternative fuels, the availability of pipeline capacity, potential instability or armed conflict in oil producing regions, overall economic strength of the province of Alberta, the success of integrating and realizing the potential of acquisitions, ability to attract and retain key personnel and fluctuations in the value of the Canadian dollar relative to the US dollar.

**MANAGEMENT**

**Leonard D. Jaroszuk - Chairman, CEO & President** - Mr. Jaroszuk has been involved in and managed a number of public companies engaged in real estate, construction, natural resources and exploration over the past 28 years. Mr. Jaroszuk currently serves as a director on several Oil & Gas service and manufacturing companies including West One Limited and Bancshares Capital Corp.

**Desmond O'Kell - Vice President** - Corp Secretary & Director - Mr. O'Kell has 26 years of business operations and finance experience in the public marketplace. Prior to the inception of Enterprise Oilfield Group, he was President of Rochester Resources (TSXV:RCT), a producing gold & silver mining company. Mr. O'Kell also serves as a director of another Canadian listed resource company.

**Warren Cabral, CA - CFO** - Mr. Cabral was most recently the CFO for the Alberta Investment Management Corporation, of one of Canada's largest institutional investment fund managers, managing global investments for pensions, endowments and government funds in Alberta. Mr. Cabral is a graduate of the University of Alberta, a member of the Institute of Chartered Accountants of Alberta and is an alumnus of Ernst & Young.

**Keir B. Reynolds - Director** - Mr. Reynolds has been involved in the public venture capital sector since 2005 and has assisted in the raising of more than \$140 million of equity for companies. In April 2011, he founded Mammoth Market Advisory Corp., which specializes in advising public and private companies on their capital markets strategies with expertise in M&A, turnaround situations and initial company start-up.

**John Pinsent CA - Director** - Mr. Pinsent was a founding partner with St. Arnaud Pinsent Steman Chartered Accountants (SPS) following a 10 year career with Ernst & Young. In 2006, John was awarded the Institute of Chartered Accountants of Alberta Distinguished Service Award for his support of the Province's technology community. John currently holds board seats on four Canadian listed companies.

**Fredy Ramsoondar - Director** - Mr. Ramsoondar has 15 years in corporate finance experience, including areas of business expansion through franchising acquisitions and strategic alliances. He is currently the CEO of United Protection Security Group Inc. (TSXV:UZZ) and a Director of Samoth Oilfield Inc. (TSXV:SDC).

Source: Company Reports

**APPENDIX A: INCOME STATEMENT**

For the Fiscal Period Ending December 31	2008	2009	2010	2011	Q1/12	Q2/12	Q3/12	Q4/12 E	2012 E	Q1/13 E	Q2/13 E	Q3/13 E	Q4/13 E	2013 E
<b>Revenues</b>														
Revenues	39,761,680	27,699,442	15,623,490	17,883,710	3,631,355	3,891,514	4,333,529	8,122,306	19,978,704	8,172,489	5,450,420	6,655,092	9,656,358	29,934,359
<b>Expenses</b>														
Direct Expenses (Cost of Sales)	(29,691,300)	(25,564,226)	(13,833,130)	(13,173,450)	(2,405,223)	(2,422,958)	(2,761,877)	(5,295,219)	(12,885,277)	(3,789,126)	(3,393,573)	(3,817,325)	(3,777,193)	(14,777,218)
General and Administrative	(5,304,425)	(3,782,484)	(3,315,375)	(3,148,533)	(697,771)	(796,378)	(711,348)	(829,032)	(3,034,529)	(824,438)	(825,396)	(830,248)	(827,913)	(3,307,995)
Depreciation of Property, Plant and Equipment	0	0	(1,424,839)	(1,113,752)	(267,884)	(269,555)	(329,674)	(564,737)	(1,431,850)	(450,221)	(462,521)	(454,129)	(472,110)	(1,838,981)
Amortization of Intangible Assets	(2,571,697)	(1,845,809)	(145,500)	(145,500)	(36,375)	(36,375)	(36,375)	(36,375)	(145,500)	(36,375)	(36,375)	(36,375)	(36,375)	(145,500)
Impairment Losses of Property, Plant and Equipment	0	0	0	(73,038)	0	0	0	0	0	0	0	0	0	0
Goodwill Write-down	(15,107,933)	0	0	0	0	0	0	0	0	0	0	0	0	0
Finance Expenses / Interest	(395,669)	(528,576)	(202,564)	(808,065)	(67,733)	20,247	(135,426)	(135,426)	(318,338)	(135,426)	(107,511)	(107,511)	(107,511)	(457,958)
Fair Value Adjustments	0	0	0	121,221	7,128	29,953	(29,716)	(16,500)	(9,135)	(16,500)	(16,500)	(16,500)	(16,500)	(66,000)
Interest and Other Income / (Loss)	30,741	(43,492)	21,945	590,879	210	328	(3,434)	6,449	3,553	8,395	13,773	13,949	27,867	63,983
Gain/loss on Sales of Property, Plant and Equipment	(308,873)	(1,748,153)	(188,444)	(54,598)	5,000	0	0	0	5,000	0	0	0	0	0
Loss on Sales of Property, Plant, and Equipment	0	0	0	0	0	0	(55,931)	0	(55,931)	0	0	0	0	0
Acquisition Costs	0	0	0	0	0	0	(199,397)	0	(199,397)	0	0	0	0	0
<b>Earnings before Taxes</b>	<b>(13,587,476)</b>	<b>(5,813,298)</b>	<b>(3,464,418)</b>	<b>78,874</b>	<b>168,707</b>	<b>416,776</b>	<b>70,351</b>	<b>1,251,466</b>	<b>1,907,300</b>	<b>2,928,799</b>	<b>622,317</b>	<b>1,406,952</b>	<b>4,446,623</b>	<b>9,404,690</b>
<b>Taxes and Other Expenses</b>														
Income Tax	141,991	806,168	(2,099,700)	(1,216,000)	(44,700)	(110,400)	(18,700)	(375,440)	(549,240)	(820,064)	(174,249)	(393,946)	(1,245,055)	(2,633,313)
Provision for Income Tax (deferred)	1,176,245	479,300	0	1,216,000	44,700	110,400	18,700	375,440	549,240	820,064	174,249	393,946	933,791	2,322,050
<b>Net Income (Loss)</b>	<b>(12,269,240)</b>	<b>(4,527,830)</b>	<b>(5,564,118)</b>	<b>78,874</b>	<b>168,707</b>	<b>416,776</b>	<b>70,351</b>	<b>1,251,466</b>	<b>1,907,300</b>	<b>2,928,799</b>	<b>622,317</b>	<b>1,406,952</b>	<b>4,135,360</b>	<b>9,093,426</b>
Basic EPS - Continuing Operations	(0.30)	(0.06)	(0.11)	0.00	0.00	0.01	0.00	0.02	0.03	0.05	0.01	0.02	0.07	0.16
Diluted EPS - Continuing Operations	0.00	0.00	(0.11)	0.00	0.00	0.01	0.00	0.02	0.03	0.05	0.01	0.02	0.07	0.15
Basic Weighted Shares Outstanding	41,637,250	42,192,600	48,681,700	51,515,810	54,766,700	54,766,700	55,114,520	56,814,520	55,365,610	57,714,520	57,714,520	57,714,520	57,714,520	57,714,520
Diluted Weighted Shares Outstanding	41,637,250	42,192,600	48,681,700	51,515,810	54,985,600	55,430,380	58,465,950	60,165,950	57,261,970	60,966,697	60,966,697	60,966,697	60,966,697	60,966,697
Gross Profit / Loss	10,070,380	2,135,216	1,790,360	4,710,260	1,226,132	1,468,556	1,571,652	2,827,087	7,093,427	4,383,363	2,056,846	2,837,766	5,879,165	15,157,141
Gross Profit Margin	25.3%	7.7%	11.5%	26.3%	33.8%	37.7%	36.3%	34.8%	35.5%	53.6%	37.7%	42.6%	60.9%	50.6%
EBITDA	4,765,955	(1,647,268)	(1,525,016)	1,561,727	528,361	672,178	860,304	1,998,055	4,058,898	3,558,926	1,231,450	2,007,518	5,051,252	11,849,146
EBITDA Margin	12.0%	-5.9%	-9.8%	8.7%	14.5%	17.3%	19.9%	24.6%	20.3%	43.5%	22.6%	30.2%	52.3%	39.6%
EBIT	2,194,258	(3,493,077)	(3,095,355)	302,475	224,102	366,248	494,255	1,396,943	2,481,548	3,072,330	732,555	1,517,014	4,542,768	9,864,665
EBIT Margin	5.5%	-12.6%	-19.8%	1.7%	6.2%	9.4%	11.4%	17.2%	12.4%	37.6%	13.4%	22.8%	47.0%	33.0%

Source: Company Reports and M Partners Estimates

**APPENDIX B: BALANCE SHEET**

For the Fiscal Period Ended December 31	2008	2009	2010	2011	Q1/12	Q2/12	Q3/12	Q4/12 E	2012 E	Q1/13 E	Q2/13 E	Q3/13 E	Q4/13 E	2013 E
<b>Current Assets</b>														
Cash and Cash Equivalents	607,297	1,667,558	392,043	357,214	755,833	541,749	1,888,094	1,772,952	1,772,952	2,307,937	3,786,158	3,834,663	7,660,888	7,660,888
Deposit & Prepaid Expenses	0	357,442	216,030	304,860	237,464	228,370	195,784	397,758	397,758	534,421	319,853	300,670	472,883	472,883
Accounts Receivables	10,916,390	0	0	0	0	0	0	0	0	0	0	0	0	0
Trade and Other Receivables	0	4,011,810	2,729,006	4,817,204	3,800,280	3,153,190	3,932,278	6,285,126	6,285,126	8,552,661	4,416,330	6,038,882	7,472,192	7,472,192
Unbilled Revenues	0	0	196,320	938,234	448,150	626,721	1,076,090	1,224,137	1,224,137	1,008,577	877,780	1,652,574	1,455,339	1,455,339
Income Taxes Refundable	140,535	0	0	0	0	0	0	0	0	0	0	0	0	0
Inventories	737,596	706,155	714,846	1,035,451	635,042	512,601	744,395	1,350,979	1,350,979	1,429,184	717,944	1,143,183	1,606,137	1,606,137
Prepaid Expenses	393,675	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Current Assets</b>	<b>12,795,493</b>	<b>6,742,965</b>	<b>4,248,245</b>	<b>7,452,963</b>	<b>5,876,769</b>	<b>5,062,631</b>	<b>7,836,641</b>	<b>11,030,953</b>	<b>11,030,953</b>	<b>13,832,779</b>	<b>10,118,064</b>	<b>12,969,972</b>	<b>18,667,439</b>	<b>18,667,439</b>
<b>Non Current Assets</b>														
Property, Plant and Equipment	14,805,290	11,121,510	9,531,420	8,429,189	8,797,008	9,415,366	14,840,430	14,775,693	14,775,693	14,825,472	14,862,951	14,908,822	14,936,713	14,936,713
Marketable Securities	0	32,000	40,000	28,000	64,000	24,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000
Portfolio Investment	28,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Tax Assets	932,600	2,099,700	0	0	0	0	0	0	0	0	0	0	0	0
Goodwill	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Intangible Assets	1,200,375	1,054,875	909,375	763,875	727,500	691,125	1,794,889	1,758,514	1,758,514	1,722,139	1,685,764	1,649,389	1,613,014	1,613,014
<b>Total Assets</b>	<b>29,761,758</b>	<b>21,051,050</b>	<b>14,729,040</b>	<b>16,674,027</b>	<b>15,465,277</b>	<b>15,193,122</b>	<b>24,499,960</b>	<b>27,593,160</b>	<b>27,593,160</b>	<b>30,408,391</b>	<b>26,694,780</b>	<b>29,556,183</b>	<b>35,245,166</b>	<b>35,245,166</b>
<b>Current Liabilities</b>														
Trade and Other Payables	1,909,814	2,277,882	1,265,155	2,575,341	1,375,059	881,542	1,670,304	3,360,112	3,360,112	3,094,618	1,234,680	2,565,121	3,994,733	3,994,733
Bank Indebtedness	6,526,900	3,363,530	0	962,200	894,883	614,671	0	0	0	0	0	0	0	0
Other Loans Payable	0	0	1,048,482	405,009	381,689	331,467	335,088	335,088	335,088	335,088	235,088	235,088	235,088	235,088
Bank Loan Facility	0	1,518,647	0	1,611,295	1,525,663	1,440,000	0	0	0	0	0	0	0	0
Current Portion of Long-term Loans and Borrowings	3,249,975	0	3,599,023	301,458	303,184	306,195	0	0	0	0	0	0	0	0
Current Portion of Mortgage Facilities	0	412,304	0	384,525	390,000	390,000	27,333	27,333	27,333	27,333	27,333	27,333	27,333	27,333
Current Portion of Finance Lease Liabilities	0	274,850	229,596	275,111	253,090	215,905	64,082	64,082	64,082	64,082	64,082	64,082	64,082	64,082
Income Taxes Payable	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Current Portion of Vendor Take-back Loan	0	0	0	0	0	0	500,000	500,000	500,000	500,000	0	500,000	500,000	500,000
Current Portion of Other & Term Loan Facility	0	0	0	0	0	88,705	87,365	87,365	87,365	87,365	87,365	87,365	87,365	87,365
<b>Total Current Liabilities</b>	<b>11,686,689</b>	<b>7,847,213</b>	<b>6,142,256</b>	<b>6,514,939</b>	<b>5,123,568</b>	<b>4,268,485</b>	<b>2,684,172</b>	<b>4,373,980</b>	<b>4,373,980</b>	<b>4,108,486</b>	<b>1,648,548</b>	<b>3,478,989</b>	<b>4,908,601</b>	<b>4,908,601</b>
<b>Non Current Liabilities</b>														
Long-term Loans and Borrowings	2,206,621	116,440	828,655	1,254,221	1,179,484	1,346,807	11,663,600	11,663,600	11,663,600	11,663,600	9,663,600	9,163,600	9,163,600	9,163,600
Future Income Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Shareholders' Equity</b>														
Common Stock - Par Value	24,032,800	24,945,960	24,945,960	25,577,890	25,577,890	25,577,890	26,077,890	26,077,890	26,077,890	26,077,890	26,077,890	26,077,890	26,077,890	26,077,890
Additional Paid in Capital	1,085,717	1,364,017	1,621,078	1,803,096	1,855,747	1,894,576	1,894,576	1,894,576	1,894,576	1,894,576	1,894,576	1,894,576	1,894,576	1,894,576
Retained Earnings (Deficit)	(9,243,865)	(13,300,600)	(18,864,720)	(18,785,840)	(18,617,140)	(18,200,360)	(18,130,000)	(16,726,608)	(16,726,608)	(13,645,883)	(12,899,556)	(11,368,594)	(7,109,224)	(7,109,224)
Accumulated Other Comprehensive Income (Loss)	(54,000)	11	8,015	(3,989)	32,018	(7,988)	(3,988)	(3,988)	(3,988)	(3,988)	(3,988)	(3,988)	(3,988)	(3,988)
Warrants	47,796	78,009	47,796	313,710	313,710	313,710	313,710	313,710	313,710	313,710	313,710	313,710	313,710	313,710
<b>Total Shareholders Equity</b>	<b>15,868,448</b>	<b>13,087,397</b>	<b>7,758,129</b>	<b>8,904,867</b>	<b>9,162,225</b>	<b>9,577,830</b>	<b>10,152,188</b>	<b>11,555,580</b>	<b>11,555,580</b>	<b>14,636,305</b>	<b>15,382,632</b>	<b>16,913,594</b>	<b>21,172,965</b>	<b>21,172,965</b>
<b>Total Liabilities &amp; Shareholders Equity</b>	<b>29,761,758</b>	<b>21,051,050</b>	<b>14,729,040</b>	<b>16,674,027</b>	<b>15,465,277</b>	<b>15,193,122</b>	<b>24,499,960</b>	<b>27,593,160</b>	<b>27,593,160</b>	<b>30,408,391</b>	<b>26,694,780</b>	<b>29,556,183</b>	<b>35,245,166</b>	<b>35,245,166</b>

Source: Company Reports and M Partners Estimates

**APPENDIX C: CASH FLOW STATEMENT**

For the Fiscal Period Ending December 31	2008	2009	2010	2011	Q1/12	Q2/12	Q3/12	Q4/12 E	2012 E	Q1/13 E	Q2/13 E	Q3/13 E	Q4/13 E	2013 E
<b>Operating Activities</b>														
Net Income	(12,269,240)	(4,527,830)	(5,564,118)	78,874	168,707	416,776	70,351	1,251,466	1,907,300	2,928,799	622,317	1,406,952	4,135,360	9,093,426
Depreciation of Property, Plant and Equipment	0	0	1,424,839	1,113,752	267,884	269,556	329,673	564,737	1,431,850	450,221	462,521	454,129	472,110	1,838,981
Amortization of Property, Plant, and Equipment	2,241,754	1,700,308	0	0	0	0	0	0	0	0	0	0	0	0
Amortization of Intangible Assets	329,943	145,500	145,500	145,500	36,375	36,375	36,375	36,375	145,500	36,375	36,375	36,375	36,375	145,500
Loss on Sale of Property, Plant and Equipment	0	0	188,444	54,598	0	0	0	0	0	0	0	0	0	0
Gain/Loss on Sale of Property, Plant and Equipment	308,873	1,748,154	0	0	0	0	50,931	0	50,931	0	0	0	0	0
Unrealized Loss on Available for Sale Portfolio Investment, Net of Future Income Tax	0	50,000	0	0	0	0	0	0	0	0	0	0	0	0
Impairment Losses of Property, Plant and Equipment	0	0	0	73,038	0	0	0	0	0	0	0	0	0	0
Goodwill Write-down	15,107,940	0	0	0	0	0	0	0	0	0	0	0	0	0
Stock based Compensation	96,175	229,090	0	0	0	0	0	0	0	0	0	0	0	0
Share Based Payments	0	0	226,848	182,018	52,651	38,829	0	0	91,480	0	0	0	0	0
Deferred Tax Expense	0	0	2,099,700	0	0	0	0	0	0	0	0	0	0	0
Future Income Tax Expense (Recovery)	(1,176,245)	(1,286,100)	0	0	0	0	0	0	0	0	0	0	0	0
Finance Expense	0	0	202,564	808,065	67,733	67,401	171,417	135,426	441,977	135,426	107,511	107,511	107,511	457,958
Fair Value Adjustments	0	0	(121,215)	(7,128)	(29,953)	29,716	16,500	9,135	16,500	16,500	16,500	16,500	16,500	66,000
Insurance Proceeds from Loss of Inventories	0	0	(100,000)	0	0	0	0	0	0	0	0	0	0	0
Change in Non-cash Working Capital Related to Operating Activities	(2,786,414)	7,480,864	206,478	(1,829,361)	340,590	106,537	(354,892)	(1,619,646)	(1,527,411)	(2,532,336)	3,332,998	(1,472,961)	(441,630)	(1,113,929)
Gains on Sale of Property, Plant and Equipment	0	0	0	(5,000)	0	0	5,000	0	0	0	0	0	0	0
Deferred Income Tax Recovery	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Cash Flow from Operating Activities</b>	<b>1,852,786</b>	<b>5,539,986</b>	<b>(1,069,745)</b>	<b>405,269</b>	<b>921,812</b>	<b>905,521</b>	<b>338,571</b>	<b>384,858</b>	<b>2,550,762</b>	<b>1,034,985</b>	<b>4,578,221</b>	<b>548,506</b>	<b>4,326,225</b>	<b>10,487,936</b>
<b>Investing Activities</b>														
Purchase of Property Plant, and Equipment	(584,444)	(1,032,874)	(882,821)	(638,117)	(201,762)	(887,914)	(1,283,535)	(500,000)	(2,873,211)	(500,000)	(500,000)	(500,000)	(500,000)	(2,000,000)
Proceeds on Sale of Property, Plant and Equipment	0	0	859,630	498,960	5,000	0	147,411	0	152,411	0	0	0	0	0
Proceeds on Dispositions of Property, Plant and Equipment	540,332	1,896,286	0	0	0	0	0	0	0	0	0	0	0	0
Acquisition of Business	0	0	0	0	0	0	351,307	0	351,307	0	0	0	0	0
Insurance Proceeds Related to Property, Plant and Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Cash Flow from Investing Activities</b>	<b>(44,112)</b>	<b>863,412</b>	<b>(23,191)</b>	<b>(139,157)</b>	<b>(196,762)</b>	<b>(887,914)</b>	<b>(784,817)</b>	<b>(500,000)</b>	<b>(2,369,493)</b>	<b>(500,000)</b>	<b>(500,000)</b>	<b>(500,000)</b>	<b>(500,000)</b>	<b>(2,000,000)</b>
<b>Financing Activities</b>														
Proceeds from Long-term Debts	0	1,177,139	0	0	0	0	0	0	0	0	0	0	0	0
Repayment of Long-term Debt	(3,379,187)	(4,311,494)	0	0	0	0	0	0	0	0	0	0	0	0
Proceeds from Term Loan Facility	0	0	3,599,023	1,500,000	0	0	0	0	0	0	0	0	0	0
Repayments of Term Loan Facility	0	0	0	(3,738,500)	(75,657)	(76,693)	(1,299,994)	0	(1,452,344)	0	0	0	0	0
Proceeds from Finance Lease Liabilities	0	0	719,997	211,050	62,321	0	122,808	0	185,129	0	0	0	0	0
Repayment of Finance Lease Liabilities	0	0	(584,074)	(262,766)	(67,052)	(68,840)	(261,103)	0	(396,995)	0	0	0	0	0
Proceeds of Mortgage Facility	0	0	531,038	0	0	0	390,000	0	390,000	0	0	0	0	0
Repayment of Mortgage Facility	0	0	(412,304)	(169,000)	0	0	(394,996)	0	(394,996)	0	0	0	0	0
Repayments of Other Loans Payable	0	0	1,048,482	(642,472)	(23,320)	(50,222)	3,621	0	(69,921)	(100,000)	0	0	0	(100,000)
Changes in Bank Indebtedness	1,575,912	(3,163,370)	(3,363,530)	962,200	(67,317)	(280,212)	(614,671)	0	(962,200)	0	0	0	0	0
Proceeds from Bank Loan Facility	0	0	0	1,800,000	0	0	5,706,019	0	5,706,019	0	0	0	0	0
Repayment of Bank Loan Facility	0	0	(1,518,647)	(180,000)	(90,000)	(90,000)	(1,440,000)	0	(1,620,000)	0	(2,000,000)	(500,000)	0	(2,500,000)
Proceeds from Issue of Common Shares, Net of Share Issue Costs	160,500	0	0	912,749	0	0	0	0	0	0	0	0	0	0
Share Repurchase	(68,516)	(18,912)	0	0	0	0	0	0	0	0	0	0	0	0
Share Issue Cost	0	973,500	0	(14,903)	0	0	0	0	0	0	0	0	0	0
Interest Paid on Loans and Borrowings	0	0	(202,564)	(678,299)	(65,406)	(68,800)	(397,463)	0	(531,669)	0	0	0	0	0
Proceeds of Other Terms Loan Facility & Vendor Take Back Financing	0	0	0	0	0	410,000	0	410,000	0	0	500,000	0	0	500,000
Repayment of Other Term Loan Facility & Vendor Take Back Financing	0	0	0	0	0	(6,924)	(21,630)	0	(28,554)	0	(500,000)	0	0	(500,000)
<b>Cash Flow from Financing Activities</b>	<b>(1,711,291)</b>	<b>(5,343,137)</b>	<b>(182,579)</b>	<b>(300,941)</b>	<b>(326,431)</b>	<b>(231,691)</b>	<b>1,792,591</b>	<b>0</b>	<b>1,234,469</b>	<b>0</b>	<b>(2,600,000)</b>	<b>0</b>	<b>0</b>	<b>(2,600,000)</b>
Cash Flow Net Changes in Cash	97,383	1,060,261	(1,275,515)	(34,829)	398,619	(214,084)	1,346,345	(115,142)	1,415,738	534,985	1,478,221	48,506	3,826,225	5,887,936
Previous Cash Balance	509,914	607,297	1,667,558	392,043	357,214	755,833	541,749	1,888,094	357,214	1,772,952	2,307,937	3,786,158	3,834,663	1,772,952
Ending Cash Balance	607,297	1,667,558	392,043	357,214	755,833	541,749	1,888,094	1,772,952	1,772,952	2,307,937	3,786,158	3,834,663	7,660,888	7,660,888

Source: Company Reports and M Partners Estimates

Toronto  
100 Wellington Street West  
Suite 2201  
Toronto, Ontario  
M5K 1K2  
Canada  
T: 416-603-4343

Vancouver  
1080 Mainland Street  
Suite 409  
Vancouver, British Columbia  
V6Z 3E3  
Canada  
T: 604-687-0755

As a full-service investment bank, M Partners' first priority lies in the financial satisfaction of its clients. In keeping with the firm's self-imposed high standards, M Partners' approach to investment is anything but standardized. Aiming to create new opportunities and ideas for clients rather than steering them towards typical investment outlets, M Partners has adopted a keen strategy of focused and relevant research. Such knowledge-driven efforts, coupled with the ample skills of the firm's management, produces successful services ranging from account management to advisory engagements.

M Partners received Investment Industry Regulatory Organization of Canada (IIROC) approval on April 14th 2005 and trades under broker number 97. The team currently has 30 members of varying degrees of financial experience, including principals Thomas Kofman and Steve Isenberg, who have a combined 45 years of financial experience and are well known in the field. This backbone of strong leadership will help chart the firm's course into the future. M Partners focuses on a number of verticals, including mining, oil and gas, information technology, real estate, financial services, industrials, infrastructure, merchandising and consumer products, and other special situations.

M Partners has strong financial backers who have extensive capital markets experience. The firm is a member of IIROC, a participating member of the Toronto Stock Exchange, The TSX Venture Stock Exchange, PURE, CHI-X, OMEGA, TMX and the Canadian Investor Protection Fund (CIPF).

M Partners does not make a market for an equity or equity related security of the subject issuer.

## Disclosure

The particulars contained herein were obtained from sources which we believe to be reliable but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein.

Disclosure codes are used in accordance with Policy 3400 of IIROC.

## Description of Possible Disclosure Codes

1. M Partners or its affiliates collectively beneficially own 1% or more of any class of equity securities of the company which is the subject of the research report.
2. The analyst or any associate of the analyst responsible for the report or public comment hold shares in the company.
3. M Partners or a director or officer of M Partners or any analyst provided services to the company for remuneration other than normal investment advisory or trade execution services within the preceding 12 months, (may seek compensation for investment banking services from the company herein within the next 3 months).
4. The director, officer, employee or research analyst is an officer, director or employee of the company, or serves in an advisory capacity to the company.
5. The analyst has viewed the material operations of the company. We define material operations as an issuer's corporate head office and its main production facility or a satellite facility that is representative of the company's operations.
6. M Partners provided investment banking services for the company during the 12 months preceding the publication of the research report
7. The analyst preparing the report received compensation based upon M Partners investment banking revenues for this issuer

## Dissemination

All final research reports are disseminated to institutional clients of M Partners simultaneously in electronic form. Hard copies will be disseminated to any client that has requested to be on the distribution list of M Partners. Reproduction of this report in whole or in part without permission is prohibited.

## Research Analysts

The Research Analyst(s) who prepare this report certify that their respective report accurately reflects his/her personal opinion and that no part of his/her compensation was, is, or will be directly or indirectly related to the specific recommendations or views as to the securities or companies. M Partners compensates its research analysts from a variety of sources and research analysts may or may not receive compensation based upon M Partners investment banking revenue.

Rating System	
Buy:	Price expected to rise
Hold:	Properly priced
Sell:	Price is inflated and expected to decrease
Under Review:	Not currently rated

Summary of Recommendations (as of December 31, 2012)		
Buy	47	81%
Hold	9	16%
Sell	2	3%
Total	58	100%