

June 11, 2013

**ENTERPRISE GROUP INC. (E-TSX, \$0.70)**

**Q1/13 RESULTS IN LINE WITH EXPECTATIONS ~ POISED FOR GROWTH**

**Rating: BUY**  
**12-Month Target: \$1.30**  
**Old 12-Month Target: \$1.20**

ENTERPRISE GROUP, INC.		TSX : E	
<i>(Currency is C\$ unless noted otherwise)</i>			
Closing Price June 11, 2013			\$0.700
12 Month Target Price			\$1.30
Dividend (annual)			\$0.00
Dividend Yield			0.0%
Potential Total Return			85.7%
52 Week Range			\$0.13 - \$0.74
Average Daily Volume (100-Day)			391,287
MARKET INFO			
Market Cap (millions)			\$59.2
Enterprise Value (millions)			\$66.5
Shares O/S (000's)			70,065
Fully Diluted (000's)			84,535
FYE: DEC 31	2012	2013E	2014E
Revenue (millions)	\$18.5	\$29.9	\$42.8
Revenue Growth (%)	3.5%	61.7%	43.2%
EBITDA (millions)	\$4.4	\$12.4	\$17.5
EBITDA Margin (%)	23.5%	41.3%	40.8%
Fully Diluted EPS	\$0.04	\$0.12	\$0.11
Cash (millions)	\$1.2	\$6.8	\$10.0
Total Debt (millions)	\$13.2	\$14.0	\$9.5
VALUATION	2012	2013E	2014E
EV / EBITDA	9.2x	5.4x	3.8x
P/E (tax adjusted basis)	16.1x	8.6x	6.7x
Website: www.enterprisegrp.ca			
<b>DISCLOSURE:</b>	5, 6		

(Please refer to the applicable disclosures that are listed on the back page)

Source: Thomson One, M Partners

**EVENT:** Enterprise Group Inc. announced its Q1/13 results before the markets opened on May 9, 2013 which were in line with our expectations; there were no consensus estimates. This report provides an update on the quarterly results.

- In Q1/13, Enterprise Group reported **fully diluted EPS** of \$0.05; we were expecting EPS of \$0.05. With 2 analysts (includes M Partners) currently providing research coverage on Enterprise Group, there was no consensus estimate.

Quarter-end Q1/13	Last Year	Actual as reported by M Partners	
(in C\$ millions, except EPS)	in Q1/12	Enterprise	Estimates
Revenue	\$ 3.63	\$ 8.90	\$ 8.92
Gross Profit	\$ 1.23	\$ 5.20	\$ 4.78
<i>Gross Profit Margin</i>	<i>33.8%</i>	<i>58.4%</i>	<i>53.6%</i>
EBITDA	\$ 0.53	\$ 3.90	\$ 3.88
<i>EBITDA Margin</i>	<i>14.5%</i>	<i>43.8%</i>	<i>43.5%</i>
EBIT	\$ 0.22	\$ 3.35	\$ 3.36
Net Income	\$ 0.17	\$ 3.17	\$ 3.15
EPS - fully diluted, adjusted	\$ 0.00	\$ 0.05	\$ 0.05

Source: M Partners, Bloomberg

- Revenue** of \$8.90 million reported in Q1/13 was in line with our estimate of \$8.92 million as all business segments performed as expected. Revenue was driven by the addition of Artic Therm and the full deployment of the additional 30 heating units that were acquired during Q4/12, revenue from new contracts & territories at TC Backhoe and a ramp up of the E One business.
- Enterprise Group reported **Gross Profit** of \$5.20 million versus our estimate of \$4.78 million; the **Gross Profit Margin** of 58.4% was higher than our 53.6% estimate and significantly higher versus Q1/12, reflecting a shift in revenue mix, the addition of Artic Therm and the exiting of certain low margin businesses.
- EBITDA** reached \$3.90 million, in line with our \$3.88 million estimate. Margins were in line with expectations as Enterprise Group reported **EBITDA margin** of 43.8% vs. our estimate of 43.5%.
- EBIT** reached \$3.35 million vs. our estimate of \$3.36 million, driven by the expected year-over-year growth in revenue.

**DURING Q1/13**

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

**On February 28, 2013**, Enterprise Group announced it had signed of a Letter of Intent (LOI) to purchase a private specialized underground infrastructure construction company with operations based in Alberta. For the year ended 2012, the private company generated \$14.9 million of revenue, \$5.8 million of EBITDA and an estimated \$0.04 to \$0.05 of fully diluted EPS (EPS is an M Partners estimate). The purchase price of the transaction is \$12 million which will be funded by cash, debt financing and \$1 million in vender take-back financing to be paid over two years. Enterprise Group had expected to close on the transaction on or about May 1, 2013 however this has been pushed back due to various audits the acquired company needed to complete prior to



**COMPANY DESCRIPTION**

Enterprise Group Inc. (E-TSX) is a diversified construction, utilities and oilfield services company with 3 operational business segments: TC Backhoe & Directional Drilling, Artic Therm and E One Limited. Enterprise Group operates in western Canada with most of their revenue derived from the Province of Alberta. Enterprise Group is also a consolidator of similar businesses in western Canada which adds a growth by acquisition aspect to its organic growth strategy.

June 11, 2013

closing the deal. Enterprise has extended the closing date to June 14, 2013 however the effective date of the transaction will be May 1, 2013.

We believe this acquisition is transformative for Enterprise Group as it has the potential to increase its revenue and EBITDA by about 50% based on our 2013 estimates for Enterprise Group, pre- this acquisition. Furthermore, management has indicated to us that with investments it expects to make in the acquired company and with the relationships Enterprise Group has with its clients, management believes the acquired company can generate \$22 million to \$25 million of revenue in a year's time; that equates to \$8.6 million to \$9.7 million of EBITDA by applying the same EBITDA margin the acquired company generated in the 12-months prior to the acquisition.

We believe this acquisition reinforces our thesis that Enterprise Group will continue with its transformation as it grows through acquisitions that complement its core competencies while expanding the services offered to a larger base of customers and leveraging the synergies available through Enterprise's existing operations.

**On March 19, 2013**, Enterprise Group announced the appointment of Doug Bachman to the position of Chief Operating Officer. Mr. Bachman has more than 25 years experience of Corporate Finance and Management at a major financial institution, with extensive knowledge in corporate credit, strategic planning, investment strategies, human resource management, team building and leadership. We believe this appointment along with the appointment of Warren Cabral as CFO a few months ago, rounds out a strong and experienced management team that we expect will grow the Enterprise Group business.

**On March 25, 2013**, Enterprise Group announced that it had entered into a financing arrangement to raise gross proceeds of approximately \$6,000,000 with funding partner Difference Capital Funding Inc. (TSXV | DCF : Not Rated). The financing closed on May 22, 2013 and proceeds of this financing will be used to complete strategic acquisitions including the previously announced \$12.0 million acquisition of a private specialized underground infrastructure construction company. The financing consisted of \$6,000,000 of unsecured convertible debentures with an annual coupon of 6.00% per annum. The debentures have a two-year term and will be convertible into common shares at a price of \$0.50 per common share.

## AFTER THE QUARTER

**On April 25, 2013**, Enterprise Group announced that it had entered into an agreement with a syndicate of agents for a best efforts private placement offering for its common shares. Each common share was issued at a price of \$0.48 and is subject to a four month plus one day hold period from the Closing Date. The offering closed on Tuesday, May 28, 2013 and raised gross proceeds of \$4.12 million; 8,587,586 common shares and 515,255 common share purchase warrants were issued upon closing.

**On May 2, 2013**, Enterprise Group announced that PNC Bank Canada (PNC) agreed to increase Enterprise Group's current senior secured finance facility from \$12.5 million to \$20.0 million at the existing interest rate of prime plus 2%.

This increase coupled with the \$10.12 million debenture and common share financings (in aggregate) will facilitate the closing of the acquisition of the specialized underground infrastructure company announced on February 28, 2013. Further to the existing terms, PNC also agreed to increase Enterprise Group's 2013 capital expenditure program from \$3.0 million to \$11.0 million. This capital expenditure increase will be used to aggressively grow Enterprise Group's businesses to meet end user demand. We highlighted above that management plans to grow the business it is acquiring such that it increases the annual revenue of that business to \$22 to \$25 million, up from \$14.9 million. In addition, management has indicated that it plans to acquire six additional 1.5 million to 3.0 million BTU heater trucks for its Artic Therm business in 2013.

When we initiated research coverage on Enterprise Group on February 28, 2013, the stock was trading at \$0.35. With yesterday's closing price of \$0.56 per share, we are now assuming all of the in-the-money warrants will be converted into shares by the end of July 2013. These warrants include: 1) 6,084,997 warrants with a \$0.20 exercise price (expires June 2013) and 2) 4,200,000 warrants with a \$0.35 exercise price (expires July 2013). The warrants associated with the financing that closed on May 28, 2013 are also in the money and are factored into our fully diluted share count. Our EPS estimates account for the expected 40% higher fully diluted share count in 2013 versus the 2012 weighted average fully diluted shares outstanding and a further 7% increase in 2014 (versus our 2013 weighted average fully diluted shares outstanding estimate).

We are introducing our new **2013** and **2014 estimates** to reflect the various financings, the fully diluted share count and the expected addition of six 1.5 million to 3.0 million BTU heater trucks for Artic Therm. In 2014, we are now expecting \$42.8 million of revenue (previously \$32.3 million), \$17.5 million (previously \$13.3 million) of EBITDA (40.8% margin), and fully diluted EPS of \$0.11 (previously \$0.10). Changes to our 2013 estimates were not material.

Enterprise Group will have used up all of its tax loss carry forwards towards the middle of the Q4/13; thus in 2014, Enterprise Group will be fully taxable for the entire year. As a result, despite estimating higher revenue and EBITDA in 2014 versus our 2013 estimates, our net income and fully diluted EPS estimates are lower (versus 2013) reflecting the taxes Enterprise Group will pay in 2014.

## RECOMMENDATION

We are maintaining our BUY recommendation and increasing our 12-month target price on Enterprise Group to \$1.30 (previously \$1.20). Our estimates do not include any amounts for the announced acquisition that is expected to close by June 14, 2013. Our valuation is based on a 12.0x P/E multiple applied to our newly introduced 2014 EPS of \$0.11 which translates into a 7.0x EV/2014 EBITDA multiple (previously 8.0x). With Enterprise Group trading at 6.7x on a 2014 P/E basis and 3.8x on an EV/2014 EBITDA basis, we continue to believe that **Enterprise Group is trading at a deep valuation discount compared to its peers** as the current valuation does not, in our opinion, accurately reflect the organic growth expected in 2013, the Artic Therm acquisition and the investment made (and being made) in this business, and the expected lift to its financials from the recently announced acquisition which we believe will be immediately accretive.

June 11, 2013

**APPENDIX A – INCOME STATEMENT**

For the Fiscal Period Ending December 31	2008	2009	2010	2011	Q1/12	Q2/12	Q3/12	Q4/12	2012	Q1/13	Q2/13 E	Q3/13 E	Q4/13 E	2013 E	2014 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	6,647,631	18,504,028	8,904,381	5,649,129	6,655,092	8,710,719	29,919,320	42,834,827
<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)	(3,251,773)	(10,841,831)	(3,702,411)	(3,517,295)	(3,817,325)	(2,556,575)	(13,593,607)	(19,656,282)
General and Administrative	(5,304,425)	(3,782,484)	(3,315,375)	(3,148,533)	(697,771)	(796,378)	(711,348)	(890,823)	(3,096,320)	(1,303,760)	(855,488)	(830,248)	(980,523)	(3,970,019)	(5,683,789)
Depreciation of Property, Plant and Equipment	0	0	(1,424,839)	(1,113,752)	(267,884)	(269,555)	(329,674)	(432,286)	(1,299,399)	(476,262)	(432,361)	(443,620)	(443,400)	(1,799,643)	(3,092,059)
Amortization of Intangible Assets	(2,571,697)	(1,845,809)	(145,500)	(145,500)	(36,375)	(36,375)	(36,375)	(55,887)	(165,012)	(61,490)	(61,490)	(61,490)	(61,490)	(245,960)	(245,960)
Impairment Losses of Property, Plant and Equipment	0	0	0	(73,038)	0	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	0
Finance Expenses / Interest	(395,669)	(528,576)	(202,564)	(808,065)	(67,733)	20,247	(135,426)	(228,378)	(411,290)	(183,568)	(149,959)	(149,959)	(149,959)	(633,446)	(473,350)
Fair Value Adjustments	0	0	0	121,221	7,128	29,953	(29,716)	(115,846)	(108,481)	0	(16,500)	(16,500)	(16,500)	(49,500)	(66,000)
Interest and Other Income / (Loss)	30,741	(43,492)	21,945	590,879	210	328	(3,434)	11,155	8,259	2,279	13,773	13,949	27,867	57,867	76,402
Gain/loss on Sales of Property, Plant and Equipment	(308,873)	(1,748,153)	(188,444)	(54,598)	5,000	0	0	(5,000)	0	0	0	0	0	0	0
Loss on Sales of Property, Plant, and Equipment	0	0	0	0	0	0	(55,931)	(135,918)	(191,849)	(12,287)	0	0	0	(12,287)	0
Acquisition Costs	0	0	0	0	0	0	(199,397)	(59,786)	(259,183)	0	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>1,483,089</b>	<b>2,138,922</b>	<b>3,166,882</b>	<b>614,548</b>	<b>1,361,156</b>	<b>4,530,138</b>	<b>9,672,724</b>	<b>13,693,788</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)	523,466	349,666	0	(172,074)	(381,124)	(1,268,439)	(1,821,636)	(4,382,012)
Provision for Income Tax (deferred)	1,176,245	479,300	0	1,216,000	44,700	110,400	18,700	(173,800)	0	0	172,074	381,124	951,329	1,504,526	0
<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>1,832,755</b>	<b>2,488,588</b>	<b>3,166,882</b>	<b>614,548</b>	<b>1,361,156</b>	<b>4,213,028</b>	<b>9,355,615</b>	<b>9,311,776</b>
Unrealized loss on marketable securities	0	0	0	0	0	0	0	(12,000)	(12,000)	0	0	0	0	0	0
<b>Net Income and Comprehensive Income (Loss)</b>	<b>168,707</b>	<b>416,776</b>	<b>70,351</b>	<b>1,820,755</b>	<b>2,476,588</b>										
Basic EPS - Continuing Operations	(0.30)	(0.06)	(0.11)	0.00	0.00	0.01	0.00	0.03	0.04	0.05	0.01	0.02	0.06	0.14	0.13
Diluted EPS - Continuing Operations	0.00	0.00	(0.11)	0.00	0.00	0.01	0.00	0.03	0.04	0.05	0.01	0.02	0.05	0.12	0.11
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	57,163,495	55,452,854	59,538,178	69,550,030	69,550,030	69,550,030	67,047,067	69,550,030
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	55,862,818	56,186,187	61,874,616	84,535,027	84,535,027	84,535,027	78,869,924	84,535,027
Gross Profit / Loss	10,070,380	2,135,216	1,790,360	4,710,260	1,226,132	1,468,556	1,571,652	3,395,858	7,662,197	5,201,970	2,131,834	2,837,766	6,154,144	16,325,713	23,178,545
Gross Profit Margin	25.3%	7.7%	11.5%	26.3%	33.8%	37.7%	36.3%	51.1%	41.4%	58.4%	37.7%	42.6%	70.7%	54.6%	54.1%
EBITDA	4,765,955	(1,647,268)	(1,525,016)	1,561,727	528,361	672,178	860,304	2,295,701	4,356,543	3,898,210	1,276,346	2,007,518	5,173,621	12,355,694	17,494,756
EBITDA Margin	12.0%	-5.9%	-9.8%	8.7%	14.5%	17.3%	19.9%	34.5%	23.5%	43.8%	22.6%	30.2%	59.4%	41.3%	40.8%
EBIT	2,194,258	(3,493,077)	(3,095,355)	302,475	224,102	366,248	494,255	2,016,862	3,101,466	3,360,458	767,235	1,513,667	4,668,731	10,310,091	14,156,737
EBIT Margin	5.5%	-12.6%	-19.8%	1.7%	6.2%	9.4%	11.4%	30.3%	16.8%	37.7%	13.6%	22.7%	53.6%	34.5%	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	2012	Q1/13	Q2/13 E	Q3/13 E	Q4/13 E	2013 E	2014 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	1,151,616	1,151,616	1,178,991	1,049,021	1,283,360	4,096,875	4,096,875	7,271,710
Deposit & Prepaid Expenses	0	357,442	216,030	304,860	237,464	228,370	195,784	659,417	659,417	627,227	331,514	300,670	864,067	864,067	1,237,065
Accounts Receivables	10,916,390	0	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	6,076,583	6,076,583	6,365,564	4,577,339	6,038,882	7,962,446	7,962,446	11,399,658
Unbilled Revenues	0	0	196,320	938,234	448,150	626,721	1,076,090	414,498	414,498	1,928,228	909,782	1,652,574	543,137	543,137	777,597
Income taxes Refundable	140,535	0	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	591,206	591,206	520,649	744,119	1,143,183	774,686	774,686	1,109,101
Prepaid Expenses	393,675	0	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>8,893,320</b>	<b>8,893,320</b>	<b>10,620,659</b>	<b>7,611,774</b>	<b>10,418,669</b>	<b>14,241,212</b>	<b>14,241,212</b>	<b>21,795,132</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	15,899,329	15,899,329	16,968,796	29,021,176	29,088,815	29,145,415	29,145,415	28,053,356
Marketable Securities	0	32,000	40,000	28,000	64,000	24,000	28,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000
Portfolio Investment	28,000	0	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	869,468	869,468	869,468	869,468	869,468	869,468	869,468	869,468
Goodwill	0	0	0	0	0	0	0	1,558,530	1,558,530	1,558,530	1,558,530	1,558,530	1,558,530	1,558,530	1,558,530
Intangible Assets	1,200,375	1,054,875	909,375	763,875	727,500	691,125	1,794,889	1,213,785	1,213,785	1,152,294	1,090,804	1,029,314	967,824	967,824	721,864
<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>28,450,432</b>	<b>28,450,432</b>	<b>31,185,747</b>	<b>40,167,752</b>	<b>42,980,795</b>	<b>46,798,449</b>	<b>46,798,449</b>	<b>53,014,350</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	1,528,819	1,528,819	2,569,465	1,279,693	2,565,121	2,003,287	2,003,287	2,868,061
Bank Indebtedness	6,526,900	3,363,530	0	962,200	894,883	614,671	0	0	0	0	0	0	0	0	0
Other Loans Payable	0	0	1,048,482	405,009	381,689	331,467	335,088	0	0	0	0	0	0	0	0
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	0
Current Portion of Long-term Loans and Borrowings	3,249,975	0	3,599,023	301,458	306,195	0	0	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	27,465	27,465	21,466	21,466	21,466	21,466	21,466	21,466
Current Portion of Finance Lease Liabilities	0	274,850	229,596	275,111	253,090	215,905	64,082	97,177	97,177	173,503	173,503	173,503	173,503	173,503	173,503
Income Taxes Payable	0	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	502,918	502,918	509,231	0	500,000	500,000	500,000	500,000
Current Portion of Other & Term Loan Facility	0	0	0	0	0	88,705	87,365	297,241	297,241	218,470	218,470	218,470	218,470	218,470	218,470
<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>2,453,620</b>	<b>2,453,620</b>	<b>3,492,135</b>	<b>1,693,132</b>	<b>3,478,560</b>	<b>2,916,726</b>	<b>2,916,726</b>	<b>3,281,500</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	12,371,887	12,371,887	9,727,071	13,727,071	13,227,071	13,227,071	13,227,071	9,227,071
Future Income Taxes	0	0	0	0	0	0	0	1,599,212	1,599,212	1,599,212	1,599,212	1,599,212	1,599,212	1,599,212	1,599,212
<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	25,921,249	25,921,249	26,658,236	32,658,236	32,658,236	32,658,236	32,658,236	32,658,236
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	2,106,922	2,106,922	2,096,422	2,096,422	2,096,422	2,096,422	2,096,422	2,096,422
Retained Earnings (Deficit)	(9,243,865)	(13,300,600)	(18,864,720)	(18,785,840)	(18,617,140)	(18,200,360)	(18,130,000)	(16,297,255)	(16,297,255)	(13,130,373)	(12,349,365)	(10,821,750)	(6,442,262)	(6,442,262)	3,408,864
Accumulated Other Comprehensive Income (Loss)	(54,000)	11	8,015	(3,989)	32,018	(7,986)	(3,988)	(16,000)	(16,000)	(16,000)	(16,000)	(16,000)	(16,000)	(16,000)	(16,000)
Warrants	47,796	78,009	47,796	313,710	313,710	313,710	313,710	310,797	310,797	759,044	759,044	759,044	759,044	759,044	759,044
<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>12,025,713</b>	<b>12,025,713</b>	<b>16,367,329</b>	<b>23,148,337</b>	<b>24,675,952</b>	<b>29,055,440</b>	<b>29,055,440</b>	<b>38,906,566</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>28,450,432</b>	<b>28,450,432</b>	<b>31,185,747</b>	<b>40,167,752</b>	<b>42,980,795</b>	<b>46,798,449</b>	<b>46,798,449</b>	<b>53,014,350</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	2012	Q1/13	Q2/13 E	Q3/13 E	Q4/13 E	2013 E	2014 E
<b>Operating Activities</b>															
Net Income	(12,269,240)	(4,527,830)	(5,564,118)	78,874	168,707	416,776	70,351	1,483,089	2,138,922	3,166,882	614,548	1,361,156	4,213,028	9,355,615	9,311,776
Depreciation of Property, Plant and Equipment	0	0	1,424,839	1,113,752	267,884	269,556	329,673	432,286	1,299,399	476,262	447,620	432,361	443,400	1,799,643	3,092,059
Amortization of Property, Plant, and Equipment	2,241,754	1,700,308	0	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	55,887	165,012	61,490	61,490	61,490	61,490	245,960	245,960
Loss on Sale of Property, Plant and Equipment	0	0	188,444	54,598	0	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	140,918	191,849	12,287	0	0	0	12,287	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	0
Impairment Losses of Property, Plant and Equipment	0	0	0	73,038	0	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	0
Stock based Compensation	96,175	229,090	0	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	53,856	145,336	17,400	0	0	0	17,400	0
Deferred Tax Expense	0	0	2,099,700	0	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	0
Finance Expense	0	0	202,564	808,065	67,733	67,401	171,417	104,739	411,291	183,568	149,959	149,959	149,959	633,446	473,350
Fair Value Adjustments	0	0	0	(121,215)	(7,128)	(29,953)	29,716	115,846	108,481	0	16,500	16,500	16,500	49,500	66,000
Insurance Proceeds from Loss of Inventories	0	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)	(2,634,517)	(2,542,282)	(659,318)	1,589,143	(1,287,128)	(1,570,862)	(1,928,165)	(3,514,310)
Gains on Sale of Property, Plant and Equipment	0	0	0	(5,000)	0	0	5,000	0	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	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>(247,896)</b>	<b>1,918,008</b>	<b>3,258,571</b>	<b>2,879,261</b>	<b>734,339</b>	<b>3,313,516</b>	<b>10,185,686</b>	<b>9,674,835</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)	(852,350)	(3,225,561)	(1,558,016)	(500,000)	(500,000)	(500,000)	(3,058,016)	(2,000,000)
Proceeds on Sale of Property, Plant and Equipment	0	0	859,630	498,960	5,000	0	147,411	105,429	257,840	0	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	0
Acquisition of Business	0	0	0	0	0	0	351,307	(4,949,898)	(4,598,591)	0	(12,000,000)	0	0	(12,000,000)	0
Insurance Proceeds Relating to Property, Plant and Equipment	0	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>(5,696,819)</b>	<b>(7,566,312)</b>	<b>(1,558,016)</b>	<b>(12,500,000)</b>	<b>(500,000)</b>	<b>(500,000)</b>	<b>(15,058,016)</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	0
Repayment of Long-term Debt	(3,379,187)	(4,311,494)	0	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	1,501,100	1,501,100	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)	(59,529)	0	0	0	(59,529)	0
Proceeds from Finance Lease Liabilities	0	0	719,997	211,050	62,321	0	122,808	(185,129)	0	0	0	0	0	0	0
Repayment of Finance Lease Liabilities	0	0	(584,074)	(262,766)	(67,052)	(68,840)	(261,103)	(21,295)	(418,290)	(23,798)	0	0	0	(23,798)	0
Proceeds of Mortgage Facility	0	0	531,038	0	0	0	390,000	0	390,000	0	0	0	0	0	0
Repayment of Mortgage Facility	0	0	(412,304)	(169,000)	0	0	(394,996)	(6,952)	(401,948)	(7,054)	0	0	0	(7,054)	0
Repayments of Other Loans Payable	0	0	1,048,482	(643,472)	(23,320)	(50,222)	3,621	(335,088)	(405,009)	0	0	0	0	0	0
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	0
Proceeds from Bank Loan Facility	0	0	1,800,000	0	1,800,000	0	5,706,019	4,951,410	10,657,429	0	4,000,000	0	0	4,000,000	0
Repayment of Bank Loan Facility	0	0	(1,518,647)	(180,000)	(90,000)	(90,000)	(1,440,000)	0	(1,620,000)	(2,558,876)	0	(500,000)	0	(3,058,876)	(4,000,000)
Proceeds from Issue of Common Shares, Net of Share Issue Costs	160,500	0	0	912,749	0	0	0	28,333	28,333	1,157,334	6,000,000	0	0	7,157,334	0
Share Repurchase	(68,516)	(18,912)	0	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	0
Interest Paid on Loans and Borrowings	0	0	(202,564)	(678,299)	(65,406)	(68,800)	(397,463)	(292,210)	(823,879)	(181,257)	0	0	0	(181,257)	0
Proceeds of Other Terms Loan Facility & Vendor Take Back Financing	0	0	0	0	0	410,000	0	(410,000)	0	0	0	500,000	0	500,000	0
Repayment of Other Term Loan Facility & Vendor Take Back Financing	0	0	0	0	0	(6,924)	(21,630)	(21,920)	(50,474)	0	(509,231)	0	0	(509,231)	(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>5,208,249</b>	<b>6,442,718</b>	<b>(1,673,180)</b>	<b>9,490,769</b>	<b>0</b>	<b>0</b>	<b>7,817,589</b>	<b>(4,500,000)</b>
Cash Flow Net Changes in Cash	97,383	1,060,261	(1,275,515)	(34,829)	398,619	(214,084)	1,346,345	(736,466)	794,414	27,375	(129,970)	234,339	2,813,516	2,945,259	3,174,835
Previous Cash Balance	509,914	607,297	1,667,558	392,043	357,214	755,833	541,749	1,888,082	357,202	1,151,616	1,178,991	1,049,021	1,283,360	1,151,616	4,096,875
Ending Cash Balance	607,297	1,667,558	392,043	357,214	755,833	541,749	1,888,094	1,151,616	1,151,616	1,178,991	1,049,021	1,283,360	4,096,875	4,096,875	7,271,710

Source: Company Reports and M Partners Estimates

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Summary of Recommendations (as of March 31, 2013)		
Buy	55	93%
Hold	3	5%
Sell	1	2%
Total	58	100%