

ENTERPRISE OILFIELD GROUP INC

History: Incorporated in Canada under the Alberta Business Corporations Act on Mar. 23, 2004 as Enterprise Oil Limited. Present name adopted on May 23, 2007.

On Aug. 24, 2005, Co. acquired the business operated by A & G Grant Construction (1983) Inc. As consideration for the acquisition of the assets of the vendor, Co. paid C\$2,550,000 cash, issued 200,000 common shares of Co. at a deemed issue price of C\$0.25 per share and agreed to pay C\$200,000 cash on each of the first and second anniversaries of the closing date for aggregate consideration of C\$3,000,000.

On Apr. 1, 2006, Co. acquired Trevor King Oilfield Services Ltd. As consideration for this acquisition, Co. paid C\$5,000,000 and issued 1,000,000 common shares at a deemed issue price of C\$2.06 per share for an aggregate share value of C\$2,060,000.

On Apr. 1, 2007, Co. acquired T.C. Backhoe & Directional Drilling Inc. Co. paid C\$12,000,000 and C\$1,924,000 for additional equipment and inventory for total consideration of C\$13,924,000, of which C\$11,724,000 was funded by cash, 1,500,000 common shares at a deemed price of C\$0.80 per share (for an aggregate of C\$1,200,000) and C\$1,000,000 vendor take back financing repayable over two years.

On Oct. 1, 2007, Co. completed a reorganization of its subsidiary companies, A.G. Grant Construction Ltd., Trevor King Oilfield Services Ltd., T.C. Backhoe & Directional Drilling Inc. and ESI Management Inc. Co. amalgamated all its operating companies under the name Enterprise Energy Services Inc. Its asset holdings were consolidated under Enterprise Pipeline Company Inc.

Business Summary: Enterprise Oilfield Group is a construction services company operating in the energy, utility and transportation infrastructure industry. Co. provides pipeline construction and oilfield maintenance services to oil and gas companies. These services include pipeline construction, repairs and maintenance, wellhead tie-ins, water injection lines, facilities construction and oilfield hauling. Co. also provides directional drilling services to utility providers primarily in central and northern Alberta. The majority of Co.'s work is related to construction of small to medium diameter steel gathering system pipelines. Co. operates primarily in Western Canada.

Property: Co. maintains its head office in St. Albert, Alberta and registered and records office in Calgary, Alberta.

As of Dec. 31, 2010, Co. owned construction office in Slave Lake, Alberta. This facility consist of an office, shop and storage yard on a site approx. 5 acres. Co. also leased facilities that consist of an office, shop and storage yard on a site approx. 2.5 acres in Sherwood Park, Alberta; a construction office and yard in Innisfail, Alberta. In additions, Co. owned an extensive fleet of modern equipment, and approx. 200 pieces of heavy equipment (excavators, pipelayers and dozers, trenchers, directional drills), transport vehicles (transport trucks and trailers), pickup trucks and specialized all terrain vehicles.

Subsidiaries

- Enterprise Energy Services Inc.
- Enterprise Pipeline Company Inc.

Officers

Leonard D. Jaroszuk, Chairman; President; Chief Executive Officer
 Brian Stasynec, Chief Financial Officer
 Desmond O’Kell, Vice President - Corporate Development; Corporate Secretary

Directors

Leonard D. Jaroszuk, Chairman
 James P. Stout Ronald Ingram
 Jason Krueger Nick DeMare

Auditors: PricewaterhouseCoopers LLP

Counsel: Borden Ladner Gervais

Annual Meeting: In June

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Consolidated Income Statement, Years Ended Dec. 31 (Can\$):

	2010	2009 (revised)	2008 (revised)
Revenue	15,623,488	27,699,442	39,761,681

Direct expenses	13,833,129	25,564,225	29,691,300
Gross margin	1,790,359	2,135,217	10,070,381
General & administrative expenses	2,891,251	3,782,484	5,304,425
Interest	645,543	528,577	...
Interest on long term debt	395,669
Amortization	1,647,335	1,845,808	2,571,697
Goodwill write-down	15,107,935
Gain (loss) on sale of equipment	(171,029)	(1,748,154)	(308,873)
Interest & other income (loss)	24,012	(43,492)	30,741
Total expenses (other income)	5,331,146	7,948,515	23,657,858
Income (loss) before income taxes	(3,540,787)	(5,813,298)	(13,587,477)
Current income taxes expense	...	632	(141,991)
Future income taxes expense (recovery)	2,256,700	(1,286,100)	(1,176,245)
Income taxes expense (recovery)	2,256,700	(1,285,468)	(1,318,236)
Income (loss) for the year	(5,797,487)	(4,527,830)	(12,269,241)
Weighted average shares outstanding - basic	48,681,700	42,192,604	41,637,252
Weighted average shares outstanding - diluted	48,681,700	42,192,604	41,637,252
Year end shares outstanding	48,681,700	48,681,700	42,301,700
Earnings (loss) per share - basic	Can\$(0.12)	Can\$(0.11)	Can\$(0.29)
Earnings (loss) per share - diluted	Can\$(0.12)	Can\$(0.11)	Can\$(0.29)

⊠ Reclassified to conform with 2010 presentation; ⊡ Reclassified to conform with 2009 presentation

Consolidated Balance Sheet, Years Ended Dec. 31 (Can\$):

	2010	2009
Cash & cash equivalents	392,032	1,667,547
Accounts receivable	2,729,006	4,011,810
Unbilled revenue	196,320	...
Supplies & parts	714,846	706,155
Inventory	714,846	706,155
Prepaid expenses	216,030	357,442
Total current assets	4,248,234	6,742,954
Land, cost	250,000	250,000
Buildings, cost	679,977	590,766
Less: accumulated amortization - buildings	96,416	69,455
Leasehold improvements, cost	115,885	115,885
Less: accumulated amortization - leasehold improvements	107,673	81,447
Computers & communication equipment, cost	127,363	126,558
Less: accumulated amortization - computers & communication equipment	113,597	91,934
Office furniture & equipment, cost	360,967	360,690
Less: accumulated amortization - office furniture & equipment	268,530	194,790
Small tools & equipment, cost	869,780	832,748
Less: accumulated amortization - small tools & equipment	580,663	412,559
Light automotive equipment, cost	1,819,111	1,904,960
Less: accumulated		

amortization - light automotive equipment	1,440,015	1,213,593
Heavy automotive equipment, cost	4,291,774	4,514,796
Less: accumulated amortization - heavy automotive equipment	1,796,093	1,465,067
Construction equipment, cost	6,464,577	6,859,399
Less: accumulated amortization - construction equipment	1,732,704	1,533,541
Property, plant & equipment, cost	14,979,434	15,555,802
Less: total accumulated amortization	6,135,691	5,062,386
Property, plant & equipment	8,843,743	10,493,416
Intangible assets	909,375	1,054,875
Portfolio investment	40,000	32,000
Future income taxes	...	2,256,700
Total assets	14,041,352	20,579,945
Bank indebtedness	...	3,363,530
Accounts payable & accrued liabilities	1,265,155	2,277,882
Term loan facility	3,599,023	...
Loans payable	1,048,482	...
Current portion of long term debt	229,596	2,205,801
Total current liabilities	6,142,256	7,847,213
Long term debt	828,655	116,440
Total liabilities	6,970,911	7,963,653
Share capital	24,945,961	24,945,961
Warrants	47,796	78,009
Contributed surplus	1,637,866	1,364,017
Retained earnings (deficit)	(19,569,182)	(13,771,695)
Accumulated other comprehensive income (loss)	8,000	...
Total shareholders' equity	7,070,441	12,616,292

Auditor's Report:

The following is an excerpt from the Report of an Independent Auditors Report, PricewaterhouseCoopers LLP, as it is appeared in Co.'s 2010 Annual Report:

"In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Enterprise Oilfield Group, Inc. as at December 31, 2010 and December 31, 2009 and the results of their operations and their cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern."

Debt: Dec. 31, 2010, C\$1,058,251 (including current portion of C\$229,596) comprised of:

- 01 - C\$531,039 secured mortgages facility, bearing interest at rate of 10.25%, maturing Jan. 1, 2012.

- 02 - C\$527,212 secured equipment and automotive loans, bearing interest at rates ranging from 0% to 9.98%, maturing June 2015.

Line of Credit: As of Dec. 31, 2010, Co. had an outstanding non-revolving term loan facility totaling C\$3,599,02. The revolving line of credit bears interest at 24%, maturing Nov. 23, 2011.

Capital Stock: 1. Enterprise Oilfield Group Inc common; no par.

OUTSTANDING-Dec. 31, 2010, 48,681,700 shs; no par.

WARRANTS-1,200,000 shs.

OPTIONS-Dec. 31, 2010, outstanding, 4,335,000.

PRIMARY EXCHANGE-Toronto (TSX): E.

PRICE RANGE-

	2011	2010	2009	2008	2007
HIGH	0.29	0.32	0.25	0.69	1.20
LOW	0.09	0.12	...	0.09	0.26