February 26, 2014

ENTERPRISE GROUP INC.
(TSX-E C$1.01)

Recommendation: BUY
12-Month Target: C$1.50
Risk Rating: ABOVE AVERAGE

INITIATING COVERAGE: PUTTING IT TOGETHER

- **The Business:** Enterprise Group Inc. provides specialized construction and equipment rental services to the energy, utility and transportation infrastructure industries, with a view to becoming the largest such provider in Western Canada.
- **Play on Growth in Western Canada:** Enterprise is well positioned to benefit from continue energy-driven investments in infrastructure, as well as specific growth opportunities related to oil sands development, pipeline construction and the potential development of LNG in British Columbia. Enterprise has established strong positions in both construction services and equipment rentals, while focusing on niche business lines for which there tends to be limited direct competition.
- **Excellent Customer Base:** The Company already serves a number of tier one customers in the infrastructure, utility and energy sectors in Western Canada. Moreover, with the recent acquisitions made, we believe there is a significant opportunity to cross-sell new capabilities to the existing client base.
- **Strong Acquisition Track Record:** Enterprise has successfully acquired a number of high margin/capital constrained operating companies. Moreover, it has successfully done so at attractive valuations (typically less than 3x trailing EBITDA). We expect the immediate term focus to be on optimizing the existing operations and demonstrating their hidden value, although further acquisitions are likely, as management is targeting an exit rate of $150 million in revenue for F2015.
- **Potential Catalysts:** Potential catalysts include additional contract win announcements and corporate updates, the Q4/13 results in March 2014, and potential acquisitions.

Valuation Methodology

We value E using the average of a 6x EV/EBITDA multiple and a 12x P/E multiple, applied to our F2014 estimates.

Recommendation

We are initiating coverage on Enterprise Group Inc. with a **BUY** recommendation and **12-month target price of C$1.50 per share**.

Sector: **SPECIAL SITUATIONS**

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Ticker	TSX:E
Last Price	$1.01
Market Cap. ($M)	$111.2
Basic Shares OS (M)	110.1
Diluted Shares OS (M)	135.9
Cash ($M) *(JCI Est.)*	$1.1
Debt ($M) *(JCI Est.)*	$29.1
Enterprise Value ($M)	$139.2
Average Volume	702,390

December 31 FYE	2012A	2013E	2014E	2015E
Revenue ($mm)	$18.5	$35.8	$82.2	$101.4
Gross Margin	41%	45%	51%	53%
EBITDAS ($mm)	$4.2	$7.9	$31.3	$41.9
EBITDAS Margin	22%	22%	38%	41%
Net Earnings ($mm)	$2.5	$5.0	$19.0	$24.7
Diluted EPS	$0.04	$0.06	$0.14	$0.18
EV/Sales	7.5x	3.9x	1.7x	1.4x
EV/EBITDA	33.5x	17.5x	4.4x	3.3x
P/E	22.8x	17.7x	7.2x	5.6x

Enterprise Group Inc. is a growing consolidator of profitable businesses, providing services to the utility, energy and infrastructure construction sectors of Canada's robust economy.

Contents

Company & Market Statistics	
Last Price	$1.01
JCI Target Price	$1.50
Potential Return to Target	49%
52-Week High	$1.07
52-Week Low	$0.35
Market Cap. ($mm)	$111.2
Cash ($mm) *(JCI est.)*	$1.1
Debt ($mm) *(JCI est.)*	$29.1
Enterprise Value ($mm)	$139.2
Basic Shares OS (mm)	110.1
FD Shares OS (mm, incl. Conv.)	135.9
90-Day Average Volume	702,390

Company Profile

Enterprise Group Inc. provides specialized construction and equipment rental services to the energy, utility and transportation infrastructure industries, with a view to becoming the largest such provider in Western Canada. The Company's operating businesses offer a wide variety of services, including directional drilling, backhoe work, hydrovac services, augering, flameless heat and oilfield rentals. The Company operates two business segments: Utilities/Infrastructure **Construction**, and **Equipment Rentals**.

Investment Thesis

1) Play on infrastructure spending in Western Canada (esp. Alberta).
2) Strong customer base incl. EnCana, Shell Canada, Suncor, Telus.
3) Solid acquisition track record (high margin co. at 3x TTM EBITDA).

Financial Results & Estimates ($mm)	2012A	2013E	2014E	2015E
Utilities/Infrastructure Construction	$15.2	$27.9	$42.7	$53.3
Equipment Rental Services	$3.3	$8.0	$39.5	$48.0
Revenue	**$18.5**	**$35.8**	**$82.2**	**$101.4**
Revenue Growth (y-y)	3%	94%	129%	23%
Gross Margin	41%	45%	51%	53%
EBITDAS	$4.2	$7.9	$31.3	$41.9
EBITDAS Margin	22%	22%	38%	41%
Net Earnings	$2.5	$5.0	$19.0	$24.7
Diluted EPS	**$0.04**	**$0.06**	**$0.14**	**$0.18**
Diluted EPS Growth (y-y)	nmf	50%	133%	29%
Operating Cash Flow PS	$0.08	$0.08	$0.18	$0.23
Free Cash Flow PS	($0.10)	($0.39)	($0.06)	$0.03
EV / Sales	7.5x	3.9x	1.7x	1.4x
EV / EBITDA	33.5x	17.5x	4.4x	3.3x
P / Earnings	22.8x	17.7x	7.2x	5.6x
EBITDA / Finance Expenses	10.1x	7.9x	18.7x	27.2x
Net Debt / EBITDAS	2.9x	3.5x	1.2x	0.8x

Potential Catalysts

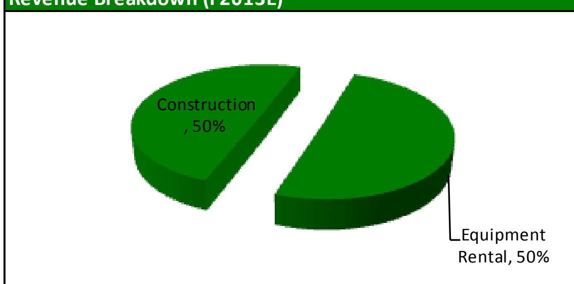
1) Improved financial results.
2) Acquisitions.
3) Corporate Updates (additional contract wins).

Investment Risks

1) Customer Concentration
2) Integration Risk/Challenges
3) Energy Industry Concentration
4) Balance Sheet Risk

Valuation Approach (2014E)		
12.0x	P/E	$1.68
6.0x	EV/EBITDA	$1.22
Average		**$1.45**

Revenue Breakdown (F2013E)



Horizontal Augering

Flameless Heaters for Pipeline Thermal Expansion

Hydrovac Services

Source: Company Reports, Capital IQ, Jennings Capital Inc.

INVESTMENT THESIS

Enterprise Group Inc. provides specialized construction and equipment rental services to the energy, utility and transportation infrastructure industries, with a view to becoming the largest such provider in Western Canada.

We are initiating coverage on Enterprise Group Inc. with a **BUY** recommendation and **12-month target price of $1.50 per share**. We view Enterprise as an attractive investment opportunity for the following reasons:

1) **Play on Growth of Western Canada** – Alberta is Canada's 3rd largest economy, and its annual GDP growth has outpaced Canada's overall growth by almost 100 bps since 2007. Enterprise is well positioned to benefit from continued energy-driven investments in infrastructure, as well as specific growth opportunities related to oil sands development, pipeline construction and the potential development of LNG in British Columbia. The Company offers a wide variety of services, including directional drilling, backhoe work, hydrovac services, augering, and flameless heat and oilfield rentals. Enterprise has established strong positions in both construction services and equipment rentals, while focusing on business lines for which there tends to be limited direct competition.

2) **Solid Customer Base** – Enterprise's customer base includes industry heavyweights such as EnCana (ECA-TSX, not rated), Shell Canada (RDS.A-NYSE, not rated), Husky Energy (HSE-TSX, not rated), WorleyParsons (WOR-AUS, not rated), Telus (T-TSX, not rated), and URS (URS-NYSE, not rated). Moreover, we believe there is a significant opportunity to cross-sell services with existing customers in order to expand the Company's share of wallet.

3) **Strong Acquisition Track Record** – In our view, the market is currently overlooking the combined revenue and earnings power of the acquisitions completed to date. Enterprise has successfully acquired very profitable, yet capital-constrained private companies operating in growth niche markets, and done so at attractive valuations. Management envisions this becoming a $150 million revenue company during F2015. We view this as very achievable, with additional acquisitions that would likely be aimed at the addition of complementary services and/or geographic coverage. However, we expect the Company's immediate priority to be optimizing its operations.

Potential catalysts include additional contract win announcements and corporate updates, the Q4/13 results in March 2014, and potential acquisitions.

Notable investment risks include customer concentration, acquisition/integration risk, balance sheet risk and reliance on Canada's energy sector. We discuss these risks more thoroughly on page 27.

We value E using the average of a 6x EV/EBITDA multiple and a 12x P/E multiple, applied to our F2014 estimates. These multiples are in line with the comparable group average, although we believe Enterprise has superior earnings growth potential.

FINANCIAL PROJECTIONS

We present the highlights of our model below. Please see Appendix B for historic and projected financial statements.

Figure 1 ***Highlights of Model***

	2012A	2013E	2014E	2015E
Utilities/Infrastructure Construction ($mm)	$15.2	$27.9	$42.7	$53.3
Equipment Rental Services ($mm)	$3.3	$8.0	$39.5	$48.0
Total Revenue ($mm)	$18.5	$35.8	$82.2	$101.4
Gross Margin	41%	45%	51%	53%
EBITDAS ($mm)	$4.2	$7.9	$31.3	$41.9
EBITDAS Margin	22%	22%	38%	41%
Net Earnings ($mm)	$2.5	$5.0	$19.0	$24.7
Diluted EPS	$0.04	$0.06	$0.14	$0.18
Operating Cash Flow PS	$0.08	$0.08	$0.18	$0.23
Free Cash Flow PS	($0.10)	($0.39)	($0.06)	$0.03

Source: Company Reports, Jennings Capital Inc.

We note the following:

- Revenue – For the Equipment Rental Services, our revenue model assumes a $28.0 million contribution from the Hart acquisition in F2014, combined with organic growth, producing y-y revenue improvement of 129%. For F2015, we assume overall revenue growth of 23%.
- CAPEX – To be conservative on the cash flow front, we assume that Enterprise spends the maximum amounts currently allowable under its credit facility, being $20 million in F2014. Approximately half of this will go toward expansion of the oilfield equipment fleet, with flameless heating units and additional hydrovacs absorbing much of the rest. We also assume $20 million of CAPEX in F2015.
- Convertible Debenture – As this expires in May 2015, and it is currently well in-the-money, we assume full conversion of this debenture into shares of Enterprise Group. This results in the issuance of 10.8 million new shares, which is reflected in our per-share estimates and valuation.

We present our quarterly estimates below.

Figure 2 ***Quarterly Estimates***

	Q1/13A	Q2/13A	Q3/13A	Q4/13E	2013E
Utilities/Infrastructure Construction ($mm)	$3.8	$4.3	$9.6	$10.1	$27.9
Equipment Rental Services ($mm)	$5.1	$0.5	$0.4	$2.0	$8.0
Total Revenue ($mm)	$8.9	$4.8	$10.0	$12.1	$35.8
Gross Margin	58%	35%	43%	40%	45%
EBITDAS ($mm)	$3.9	($0.1)	$3.9	$0.3	$7.9
EBITDAS Margin	44%	(2%)	39%	2%	22%
Net Earnings ($mm)	$3.2	($1.5)	$3.9	($0.5)	$5.0
Diluted EPS	$0.05	($0.02)	$0.05	($0.00)	$0.06
Operating Cash Flow PS	$0.06	($0.00)	$0.03	$0.00	$0.08
Free Cash Flow PS	$0.03	($0.20)	($0.01)	($0.16)	($0.39)

Source: Company Reports, Jennings Capital Inc.

As shown below, our earnings estimates are sensitive to revenue growth and margin assumptions.

Figure 3 ***Estimate Sensitivity***

	2014E Revenue Growth				
			Base Case		
Implied Results	**109%**	**119%**	**129%**	**139%**	**149%**
Revenue ($mm)	$75.0	$78.6	**$82.2**	$85.8	$89.4
EBITDAS ($mm)	$27.7	$29.5	**$31.3**	$33.1	$35.0
Net Earnings ($mm)	$16.3	$17.6	**$19.0**	$20.3	$21.7
Diluted EPS	$0.12	$0.13	**$0.14**	$0.15	$0.16

	2015E Revenue Growth				
			Base Case		
Implied Results	**3%**	**13%**	**23%**	**33%**	**43%**
Revenue ($mm)	$84.9	$93.1	**$101.4**	$109.6	$117.8
EBITDAS ($mm)	$33.2	$37.5	**$41.9**	$46.2	$50.5
Net Earnings ($mm)	$18.7	$21.7	**$24.7**	$27.8	$30.8
Diluted EPS	$0.14	$0.16	**$0.18**	$0.20	$0.23

	2014E Gross Margin				
			Base Case		
Implied Results	**46.7%**	**48.7%**	**50.7%**	**52.7%**	**54.7%**
Revenue ($mm)	$82.2	$82.2	**$82.2**	$82.2	$82.2
EBITDAS ($mm)	$28.0	$29.7	**$31.3**	$33.0	$34.6
Net Earnings ($mm)	$16.5	$17.8	**$19.0**	$20.2	$21.4
Diluted EPS	$0.12	$0.13	**$0.14**	$0.15	$0.16

	2015E Gross Margin				
			Base Case		
Implied Results	**48.6%**	**50.6%**	**52.6%**	**54.6%**	**56.6%**
Revenue ($mm)	$101.4	$101.4	**$101.4**	$101.4	$101.4
EBITDAS ($mm)	$37.8	$39.8	**$41.9**	$43.9	$45.9
Net Earnings ($mm)	$21.9	$23.3	**$24.7**	$26.2	$27.6
Diluted EPS	$0.16	$0.17	**$0.18**	$0.19	$0.20

Source: Company Reports, Jennings Capital Inc.

VALUATION APPROACH

We value Enterprise based on comparable company multiples. We present our comparable group in Appendix E.

We use our F2014 estimates as the basis for our valuation, which assumes full conversion of the convertible debenture in our share count. We also exclude the convertible debenture from our calculation of total debt.

Our comparable group currently trades at approximately 12x consensus F2014 earnings and 6x EBITDA. We apply a 12x earnings multiple and a 6x EBITDA multiple to our estimates. Given our expectations for 133% EPS growth in F2014 and 29% EPS growth in F2015, we view these multiples as very conservative.

On that basis, we present our implied valuation estimates below.

Figure 4 ***Valuation Estimates***

Multiple	Approach	Implied Valuation
12.0x	Price / Earnings	$1.68
6.0x	EV / EBITDA	$1.22
	Average	**$1.45**
	12-Month Target	**$1.50**

Source: Jennings Capital Inc.

We present sensitivity tables reflecting variations in EPS and EBITDA performance, and valuation multiples applied, below.

Figure 5 ***Valuation Sensitivity***

	2014E Diluted EPS				
	$0.10	**$0.12**	**$0.14**	**$0.17**	**$0.20**
10.0x	$1.00	$1.20	$1.40	$1.70	$2.00
11.0x	$1.10	$1.32	$1.54	$1.87	$2.20
12.0x	$1.20	$1.44	$1.68	$2.04	$2.40
13.0x	$1.30	$1.56	$1.82	$2.21	$2.60
14.0x	$1.40	$1.68	$1.96	$2.38	$2.80

	2014E EBITDA				
	$21.8	**$26.1**	**$31.3**	**$37.6**	**$45.1**
4.0x	$0.47	$0.60	$0.76	$0.94	$1.16
5.0x	$0.63	$0.79	$0.99	$1.22	$1.49
6.0x	$0.79	$0.99	$1.22	$1.49	$1.82
7.0x	$0.95	$1.18	$1.45	$1.77	$2.16
8.0x	$1.11	$1.37	$1.68	$2.05	$2.49

Source: Jennings Capital Inc.

RECOMMENDATION

We are initiating coverage on Enterprise Group Inc. with a **BUY** recommendation and **12-month target price of $1.50 per share**.

COMPANY OVERVIEW

Background

Beginnings in Pipeline Construction: Enterprise Group Inc. was originally incorporated as Enterprise Oil Limited, in March 2004, and completed its IPO as a capital pool company in August of that year. Shortly thereafter, it completed the acquisition of A.G. Grant Construction, for $3.0 million in cash and stock, as its qualifying transaction. A.G. Grant provided pipeline construction and oilfield maintenance services in central and northern Alberta. In April 2006, the Company acquired Trevor King Oilfield Services, for $5.0 million in cash and stock, expanding its presence in pipeline construction and maintenance.

Expansion into Utility Infrastructure: In March 2007, the Company completed a $10.0 million private placement at $0.75/unit (1/2 warrant, $1.00 conversion price, expiring June 2008). In May 2007, Enterprise acquired T.C. Backhoe & Directional Drilling, for $13.9 million in cash, stock and vendor take-back financing. T.C. provides directional drilling and installation of underground power, telecommunications and natural gas lines for the utility infrastructure sector. This transaction diversified the Company away from pipeline construction. Reflecting this shift, the Company changed its name to Enterprise Oilfield Group.

The Global Recession: The slowdown negatively impacted demand for Enterprise's services, prompting a goodwill write-down of $15.1 million in F2008. The Company struggled over the next few years, with the margins on utility infrastructure services only partially offsetting the weakness in pipeline construction activity.

Balance Sheet Repair; Expansion into Rental Equipment: Conditions improved somewhat in F2011, led by the utility infrastructure segment. In March 2010, the Company announced a multi-year contract with a major Canadian power supplier, with revenue potential of over $25.0 million. This agreement was renewed last year, and a second similar contract was awarded by this customer. In H2/11, the Company began renting some of its underutilized heavy equipment as a pilot project, leading to the creation of E One in Q1/12. The addition of a rental business to the existing construction business prompted another name change in July 2012, to Enterprise Group. In August 2012, the Company obtained a $12.5 million credit facility, which allowed it to repay higher interest debt and clean up its balance sheet. In September 2012, the Company expanded its rental business with the acquisition of Arctic Thermal International (ATI), which rents flameless heaters to the construction and oil and gas industry in Western Canada.

Building on the Platform: In F2013, the Company completed a $6.0 million convertible debenture financing with Difference Capital (TSX-DCF, not rated). Combined with a $4.1 million equity financing at $0.48 per share, and an increase in its credit facility to $20.0 million, the Company further strengthened its balance sheet and expanded its construction business with the acquisition of Calgary Tunneling & Horizontal Augering for $12.0 million. Enterprise also acquired a strategically located land asset for $2.1 million (later appraised at $3.6 million) to support further expansion. Later in the year, the Company completed a $15.0 million equity financing at $0.72 per share, and increased its credit facility to $35.0 million in order to fund the acquisition of Hart Oilfield Rentals Ltd, which closed in January 2014.

Business Overview

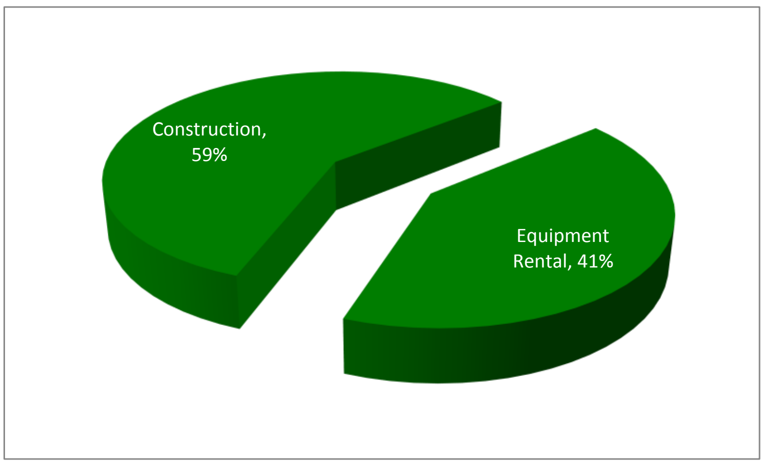
Enterprise Group Inc. provides specialized construction and equipment rental services to the energy, utility and transportation infrastructure industries, with a view to becoming the largest such provider in Western Canada. The Company is headquartered in St. Albert, Alberta, and now employs approximately 260 people.

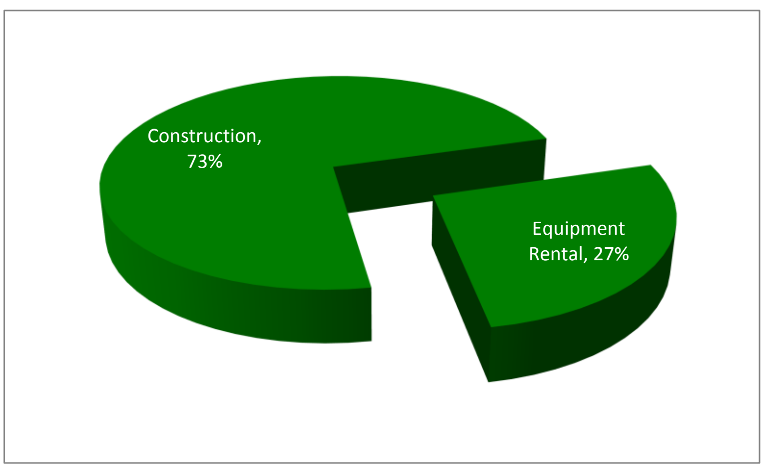
The Company operates two business segments:

- Utilities/Infrastructure ***Construction*** – This segment provides installation and maintenance of underground utilities, as well as directional drilling.
- ***Equipment Rental*** Services – This division rents flameless heat and oilfield infrastructure equipment to the energy sector.

On a YTD basis, the Construction segment has contributed 59% of total Company revenue and 73% of total EBITDAS. However, we note that these results include no contribution from the Hart acquisition in January 2014. Going forward, we expect the revenue base to be more evenly split between Construction and Equipment Rentals segments, and between three markets: energy, utility and infrastructure.

Figure 6 ***YTD Share of Revenue (top) and EBITDAS (bottom) Contributions***

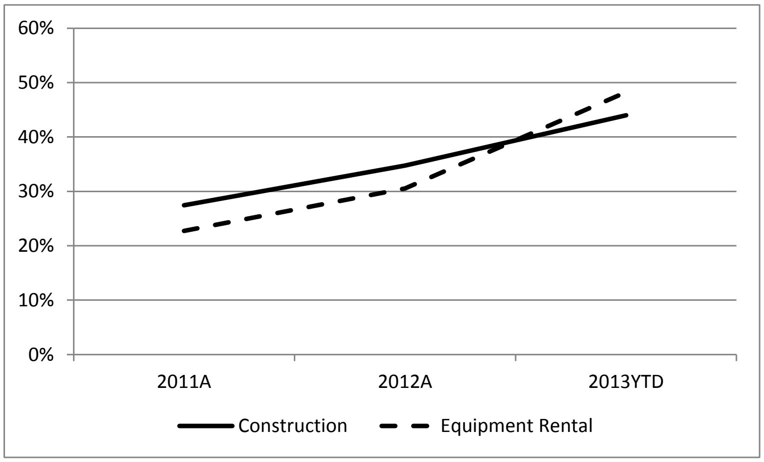




Source: Company Reports, Jennings Capital Inc.

Margins for both business segments have improved considerably over the last few years, although there can be significant q-q variability in margins.

Figure 7 ***EBITDAS Margins (ex-corporate expenses)***



Source: Company Reports, Jennings Capital Inc.

Operating Locations

As shown below, the Company has an operational presence throughout Alberta. The lone location in British Columbia was acquired in the Hart Oilfield Rentals transaction.

Figure 8 ***Operating Locations***

Source: Company Reports

Notable Customers

Enterprise has a strong roster of tier one customers, including integrated oil and gas companies, multi-national mid-streams, pipeline construction companies, cable and telecommunications companies, utilities and rail companies. The customers noted below are served by two or more of Enterprise Group's businesses.

Figure 9 Major Customers

Source: Company Websites

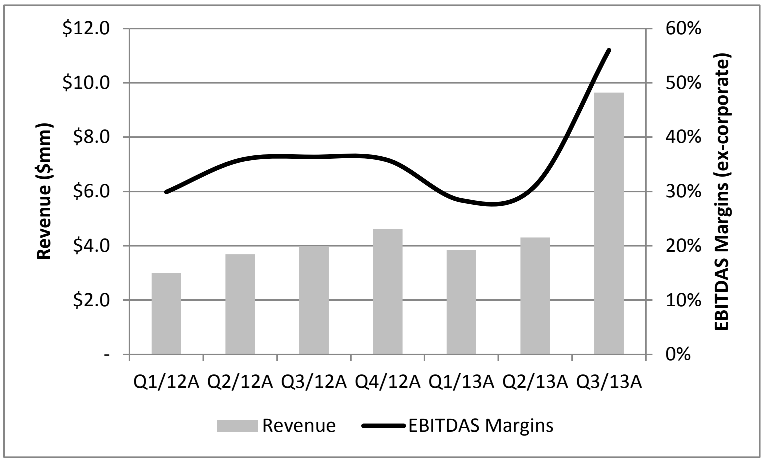
Major Shareholders

Senior management and directors own approximately 13% of the outstanding stock, including the CEO, Mr. Leonard Jaroszuk, who owns 11%.

Utilities / Infrastructure Construction Segment

This segment provides installation and maintenance of underground utilities, as well as directional drilling. This segment has operations in Calgary, Edmonton and Sherwood Park, Alberta. Its recent quarterly performance is presented below.

Figure 10 ***Quarterly Revenue & EBITDAS Margins***



Source: Company Reports, Jennings Capital Inc.

This segment includes two businesses: TC Backhoe & Directional Drilling (TC), and Calgary Tunnelling & Horizontal Augering (CTHA).

Figure 11 ***Major Brands***

Source: Company Reports

TC Backhoe & Directional Drilling: TC had been in business for almost 30 years before its acquisition by Enterprise in F2007, for $13.9 million. Its customers include major telecommunication and cable companies, electricity and natural gas service providers. As these companies are highly regulated, they need to continue investing in their assets in order to obtain rate increases. This factor helped stabilize Enterprise's revenue during the last recession. Approximately 40% of its revenue comes from 12-18 month contracts, giving it solid revenue visibility. TC's services include directional drilling, trenching, and plowing, backhoe and dozer work. Its particular strength is the installation and repair of underground utility services in subdivisions (approximately 1/3 of TC's revenue), positioning it well for continued growth in infrastructure spending in Western Canada. TC's hydrovac business has traditionally focused on serving internal needs, but is now being expanded as its own business line. The Company currently has a fleet of 10 hydrovacs, and anticipates having six more delivered by April 2014.

Figure 12 Directional Drilling (left) and Hydrovac Services (right)

Source: Company Reports

Calgary Tunneling & Horizontal Augering: Enterprise acquired CTHA in June 2013, for $12.0 million plus working capital ($15.4 million in total), paying approximately 2x trailing EBITDA of $5.9 million. CTHA was founded in 1984, and its customers include Canada's largest railroads, as well as major infrastructure, pipeline and utility companies. CTHA services include laser-guided boring and augering, pipe ramming and jacking, and tunnel boring.

Horizontal augering involves the use of a small excavator to install pipes, conduits and cables underground with minimal ground disturbance and environmental impact. CTHA can install pipe ranging from 12" to 72". For example, CN Rail (CNR-TSX, not rated, $49.6 billion market cap.) contracted CTHA to help install a culvert at an existing railway crossing.

Where ground conditions are more difficult, CTHA can perform pipe jacking. This involves hammering a steel pipe through the ground using a pneumatic pipe ramming machine. The surrounding soil is left undisturbed, reducing the risk of settlement problems for roads, rail lines and buildings. This allows CTHA to install pipe ranging from 36" to 100". CTHA has performed this work for Volker Stevin at the Calgary International Airport.

The organic growth potential of this business is considerable, with a possible doubling of revenue before any potential contribution from B.C.'s LNG build-out.

Figure 13 Horizontal Augering (left) and Pipe Jacking (right)

Source: Company Reports

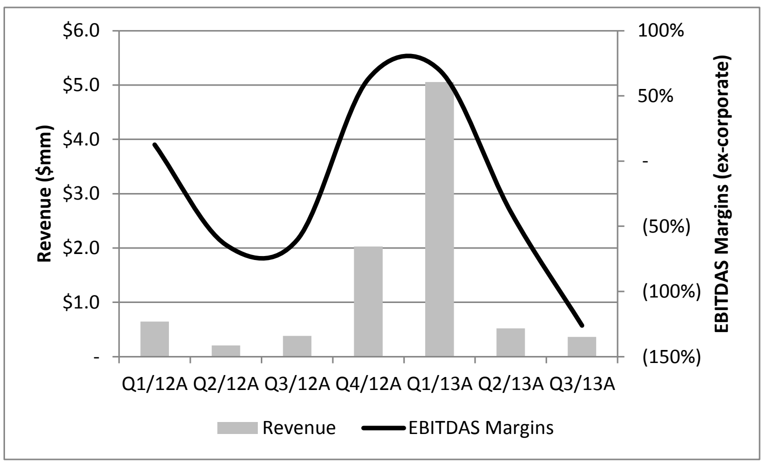
Competition: For TC, master service agreements are common in the industry. This makes it challenging to expand the customer base, but also makes that revenue relatively sticky. Subdivision work can be particularly tough competitively, as developers tend to have preferred vendors. For CTHA, some of the competition comes from the municipalities, with larger projects being more open to private sectors players. One example is Kamloops Augering & Boring, a private company that has worked for Fortis, TransCanada, Ledcor and CN.

Equipment Rental Services Segment

This division rents flameless heat devices, oilfield infrastructure equipment and heavy equipment to the energy sector.

As noted earlier, this business segment was created with the formation of E One in F2012, following the rental of some underutilized heavy equipment as a pilot project in H2/11. We present its recent quarterly performance below.

Figure 14 ***Recent Quarterly Performance***



Source: Company Reports, Jennings Capital Inc.

Following the formation of the rental segment, the Company also acquired two rental companies: Arctic Therm International (ATI) and Hart Oilfield Rentals Ltd.

Figure 15 ***Major Brands***

Source: Company Reports

Arctic Therm International: ATI was founded in 1998, and provides flameless heaters to the oil and gas industry in Western Canada. Its heaters range in output from 375,000 British thermal units (BTU) to up to 3.0 million BTU. These units are portable, allowing for deployment in remote locations. Enterprise acquired this business in September 2012, for $6.5 million in cash and stock. For F2012 (ending March 31, 2012, before its acquisition by Enterprise), this business produced revenue of $4.7 million, and EBITDA of $2.7 million, for a 57% EBITDA margin.

These units have multiple applications, including pipeline thermal expansion, fresh air circulation, concrete curing, vessel/tank curing, SAGD (steam-assisted gravity drainage) and ground thawing.

Pipeline thermal expansion is an important business line. The deeper the work, the higher the ambient temperature is. Pipe can expand by 1 metre per kilometre of pipeline, causing stress on joints, bends and risers. Expansion joints can relieve some of the pressure, and thicker pipeline is an expensive option, so pre-heating the pipelines has proven to be a cost-effective alternative. For example, EnCana (ECA-TSX, not rated, $13.3 billion market cap.) has used these systems for several years to preheat large diameter pipelines prior to backfill and tie-in. The Company has also performed similar services for Suncor Energy (SU-TSX, not rated, $54.0 billion market cap.). This is done to minimize the thermal differential between the installation temperature and operating temperature.

Figure 16 ***Pipeline Thermal Expansion (left); Fleet Size Variety (right)***

Source: Company Reports

Since acquiring this business, Enterprise has doubled its fleet of smaller units to over 100, and it is also adding six large units in addition to the two large units already in place. Prior to its acquisition, Hart Oilfield Rentals had been using a competitor's smaller units. It has recently begun using ATI's systems instead, which should help capture additional margin.

One of the notable growth opportunities here is for marketing flameless heating units for use in offseason maintenance of fuel storage vessels. Management estimates that there are 11,000 of these in Alberta alone. These vessels need to be drained, circulated with air, inspected and recoated during the offseason. ATI's units can be used to help circulate air, and to accelerate the drying process after recoating, Management estimates that the shutdown time can be shortened from three weeks to 7-10 days. This business could also be counter-seasonal relative to its other rental activities.

Figure 17 ***Storage Vessel Maintenance Opportunity***

Source: Company Reports

Hart Oilfield Rentals Ltd.: Hart was acquired in January 2014, for $22.6 million in cash and stock. This represented 3.1x trailing EBITDA, and 1.1x the fair market value of the equipment based on an independent appraisal completed in May 2013. Hart had produced a 4-year revenue CAGR of 22% and an EBITDA CAGR of 37%. For its most recently completed fiscal years, revenue was flat, owing to a lack of growth capital to support expansion. 90% of its revenue base comes from major oil and gas companies, with significant customer overlap with the rest of Enterprise.

Hart is a full service oilfield site infrastructure company, providing both site services and equipment rentals. This includes traditional well-site equipment, as well as modular equipment combinations (combos) that are designed and manufactured by Hart. These combos are infrastructure 'packages' that include shacks, tanks, wash cars and sewage treatment equipment. They are noted for their easy, 'plug and play' setup. The Company currently has 14 patents pending on the design assets.

Owing to strong demand, Hart has augmented its fleet with subcontracted equipment. With capital support from Enterprise, Hart can expand its own fleet and generate high marginal returns.

Figure 18 ***Hart's Combo Units***

Source: Company Reports

Competition: ATI competes with 10-12 companies for use of its smaller units, but sees very little direct competition for use of its larger systems (1.5 million+ BTU output). For Hart, the actual equipment on offer is available from a number of competitors, but the 'plug and play' aspect of the combos in their loading/unloading is relatively unique and gives Hart a competitive advantage.

Further Acquisition Potential

In the immediate term, we expect management to focus on integrating and expanding its existing business lines, with the potential for smaller tuck-in transactions.

Once Enterprise resumes pursuing its acquisition strategy, it will target profitable private companies with a strong competitive advantage, and significant post-transaction growth potential that can be unlocked with additional capital. These targets would be complementary in terms of business line and/or geographic presence.

Purchase terms will likely include a mix of cash, stock and vendor take-back financing, as well as multi-year agreements with key senior management personnel to ensure mid-term continuity.

Although the growth opportunities will likely attract competition for acquisitions, we believe Enterprise is well positioned as a potential 'buyer of choice', owing to its track record. This should help it avoid bidding wars and continue acquiring solid companies at 3x trailing EBITDA.

MARKET OPPORTUNITIES

Enterprise is poised to benefit from a number of different growth opportunities in Western Canada, particularly in Alberta.

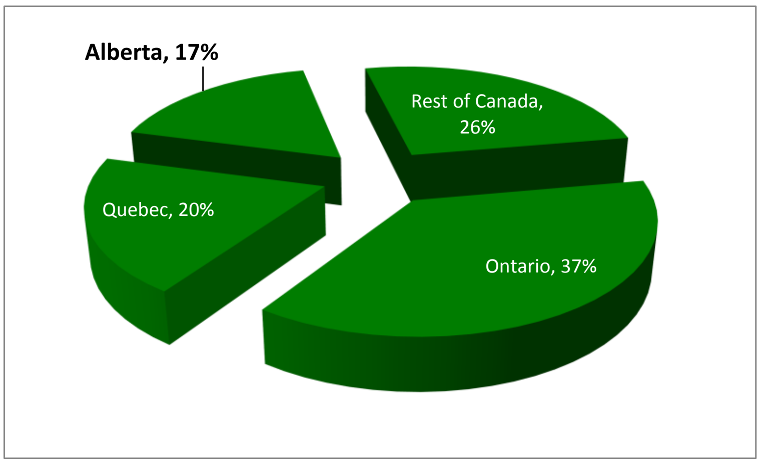
In this section, we discuss the relative strength of Alberta's economy, which should support continued demand for both of Enterprise's primary business segments.

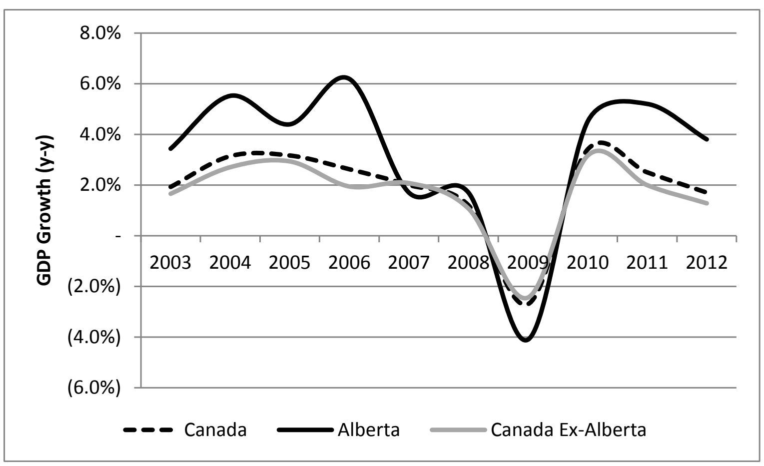
We also highlight the oil sands, pipeline proposals and the potential development of LNG assets in British Columbia as specific target markets for the Company.

Alberta's Economy

Through its business segments, Enterprise offers investors exposure to continued growth of Alberta's economy. Alberta is Canada's 3rd largest provincial economy, after Ontario and Québec, contributing approximately 17% of total GDP. However, Alberta's economy has consistently grown at a faster pace than the rest of Canada, owing in large part to the strength of its oil and gas industry.

Figure 19 ***Alberta's Share of Canadian GDP (top); GDP Growth (bottom)***

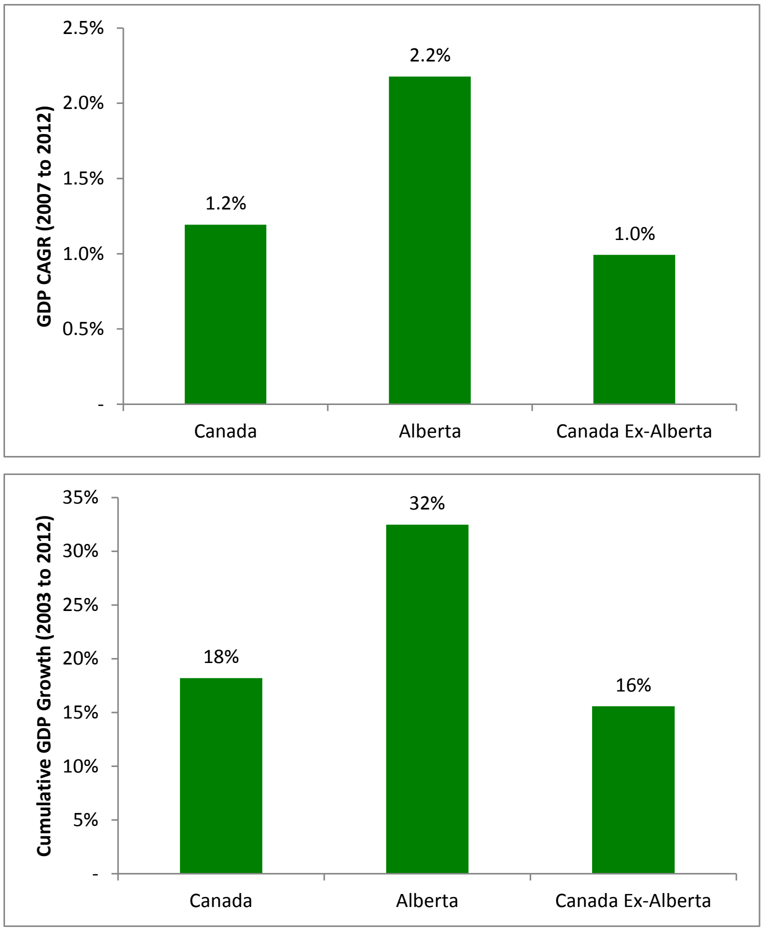




Source: Statistics Canada, Jennings Capital Inc.

This is further reflected below. The Albertan economy has grown at almost 100 bps faster than the broader Canadian economy over the past five years. Moreover, it has delivered cumulative GDP growth of 32% over the past 10 years, well above overall Canadian GDP growth of 18%.

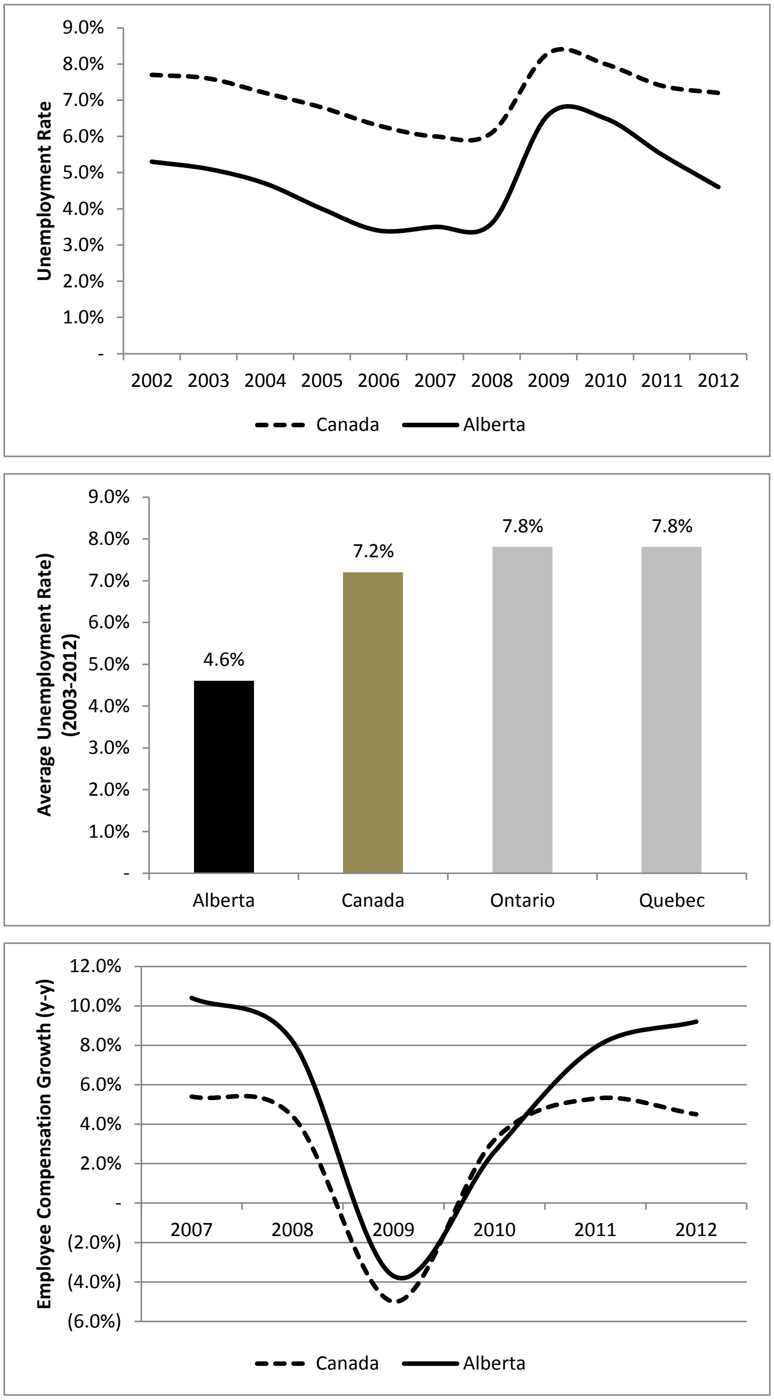
Figure 20 ***Alberta Fueling Canada's Growth***



Source: Statistics Canada, Jennings Capital Inc.

This growth is also creating jobs and compensation growth, which fuels further demand for infrastructure development. Alberta's unemployment rate has consistently been at least 200 bps lower than the overall Canadian unemployment rate. On a 5-year average basis, it is ~250 bps below that of Ontario, and over 300 bps below that of Québec.

Figure 21 ***Low Unemployment & Strong Compensation Growth***

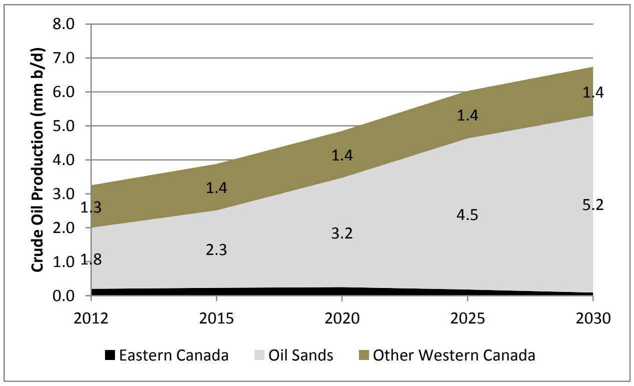


Source: Statistics Canada, Jennings Capital Inc.

Oil Sands Development

Oil sands crude oil production is expected to grow from 1.8 million b/d in 2012, to 2.3 million b/d in 2015, and to 5.2 million b/d by 2030. Oil sands' share of Canadian oil production would then expand from 55% in 2012, to 66% in 2020, and 77% in 2030. The Canadian Association of Petroleum Producers (CAPP), in its June 2013 report, estimated oil sands industry spending at $23 billion for 2013.

Figure 22 ***Canadian Crude Oil Production***



Source: Canadian Association of Petroleum Producers (CAPP, June 2013)

The further development of the oil sands will also create the need for additional infrastructure-related construction, including pipelines, electricity generation, transmission systems and transportation infrastructure. In its May 2013 report, the Canadian Energy Research Institute (CERI) estimated initial CAPEX investment of $230 billion through 2046, under its reference case scenario. This translates to an average annual spend of $6.8 billion, although that spending is expected to be front end loaded over the next 4-6 years, as shown in the next figure. Moreover, maintenance CAPEX is expected to average another $8.7 billion over the forecast period.

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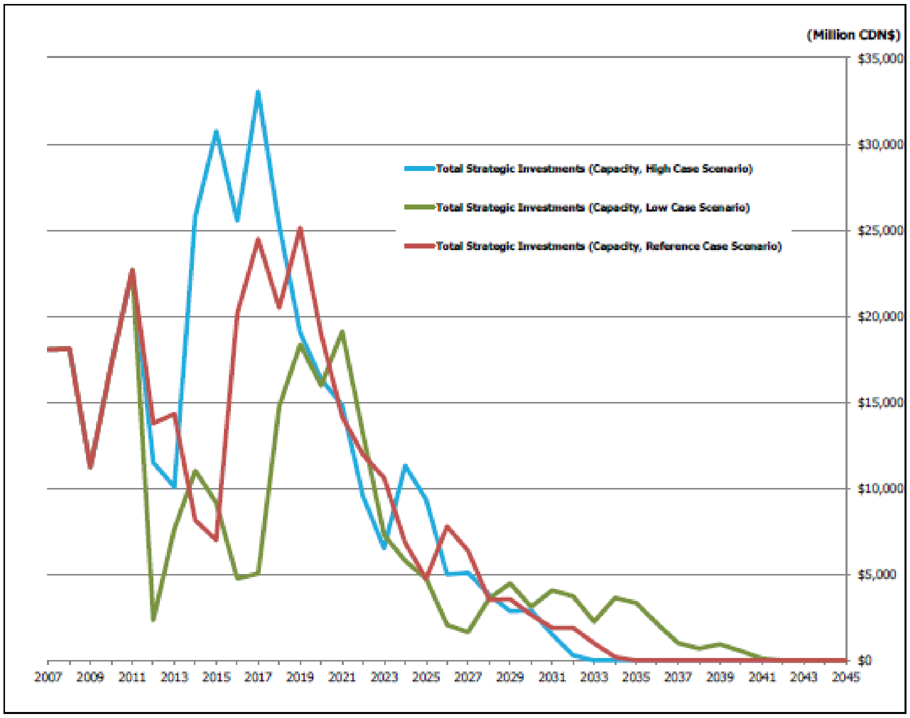
Figure 23 ***Oil Sands' Initial Capital Requirements***



Source: Canadian Energy Research Institute (CERI)

Pipeline Potential

According to the Canadian Energy Pipeline Association (CEPA), pipelines contributed $8.8 billion to Canada's GDP in 2012, with almost half of that contribution going to Alberta. The industry is responsible for approximately 25,000 full-time equivalent jobs.

In Alberta alone, the industry directly employs 7,300 people and operates approximately 56,000 km (almost 35,000 miles) of pipelines. An estimated 63% of that mileage relates to natural gas transmission, with the remainder relating to liquids (i.e., oil).

Major existing crude oil pipelines and proposals are illustrated below.

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Figure 24 Crude Oil Pipelines (All Proposals)

Source: Canadian Association of Petroleum Producers (CAPP)

In addition, we highlight five major pipeline construction/expansion proposals below. While a number of these projects are facing significant hurdles, particularly environmental opposition, they are still individually significant in terms of spending requirements.

Figure 25 Major Crude Oil Pipeline Proposals

Major Proposals	Exp. Capacity (b/d)	Exp. In-Service	Additional Detail
Enbridge Mainline Expansion & Debottlenecking	200 to 600	2015	Expansion of existing 1,100 km Alberta Clipper (Line 67) through additional pumping capacity. Would enhance access to U.S. Midwest refineries. Initial phase would increase capacity by 120,000 b/d to 570,000 b/d. Design allows additional expansion to 800,000 b/d.
TransCanada Keystone XL	830	2015	US$5.3 billion project. Would ship oil almost 1,900 km from Alberta to Nebraska, improving access to the Gulf Coast and Midwest refineries.
Kinder Morgan TransMountain Expansion	600	2017/18	$5.4 billion project. Would increase existing TMPL capacity from 300,000 b/d to 890,000 bpd. TMPL is currently the only pipeline system in North America that ships both crude and refined products to the West Coast.
TransCanada Energy East	650	2018	Intended to ship oil from Alberta to refineries in Eastern Canada (4,500 km). Will include conversion of existing natural gas pipe to oil, as well as construction of additional pipelines and associated facilities.
Enbridge Northern Gateway	525	2018	$6.5 billion project. Intended to ship oil almost 1,200 km from Northern Alberta, through British Columbia to the deepwater port at Kitimat. Completion would enable exports of oil to Asian markets.

Source: Company Websites, Jennings Capital Inc.

LNG in British Columbia

There is also a significant opportunity for Enterprise to win business related to the construction of pipelines in support of liquid natural gas development in B.C.

While there remains uncertainty related to the tax regime that will be implemented, the upside potential for Enterprise is considerable. We discuss this more thoroughly in Appendix C.

FINANCIAL PERFORMANCE

The Q3/13 Results

We present the highlights of the Q3/13 results (ending September 30, 2013) below.

Figure 26 ***Q3/13 Results***

	Q3/13A	Q3/12A	Y-Y	Q2/13A	Q-Q
Utilities/Infrastructure Construction					
Revenue ($mm)	9.6	4.0	144%	4.3	124%
EBITDAS Margins (pre-corporate)	56%	36%	1965 bps	31%	2496 bps
Equipment Rental Services					
Revenue ($mm)	0.4	0.4	(5%)	0.5	(31%)
EBITDAS Margins (pre-corporate)	(126%)	(61%)	(6564 bps)	(39%)	(8714 bps)
Company Revenue ($mm)	**10.0**	**4.3**	**131%**	**4.8**	**107%**
Gross Margin	43%	36%	695 bps	35%	864 bps
EBITDAS ($mm)	3.9	0.6	574%	(0.1)	nmf
EBITDAS Margin	39%	13%	2537 bps	(2%)	4104 bps
Net Earnings ($mm)	3.9	0.1	5512%	(1.5)	nmf
Diluted EPS	**$0.05**	**$0.00**	**nmf**	**($0.02)**	**nmf**
Operating Cash Flow PS	$0.03	$0.01	200%	($0.00)	nmf
Free Cash Flow PS	($0.01)	($0.02)	nmf	($0.20)	nmf

Source: Company Reports, Jennings Capital Inc.

As shown above, Enterprise delivered strong y-y revenue growth. This can be attributed to the impact of the CTHA acquisition at the end of Q2/13 and organic growth stemming from increased sales and marketing. Management noted that the Utilities/Infrastructure Construction segment continues to operate at-or-near capacity.

The Balance Sheet

At quarter end, the Company had cash and equivalents of $4.6 million and total debt of $24.6 million. Subsequent to quarter end, the Company completed a $15.0 million equity financing and increased its credit facility from $20.0 million to $35.0 million in order to support its acquisition of Hart Oilfield Rentals Ltd. We assume that $3.0 million in existing cash, net proceeds of $13.8 million from the equity financing, and $4.5 million of the credit facility were used for the Hart transaction. On that basis, we estimate the Company's current cash and equivalents at $1.1 million and its total debt at $29.1 million.

The main components of the Company's debt are the secured credit facility and the $6.0 million convertible debenture issued to Difference Capital.

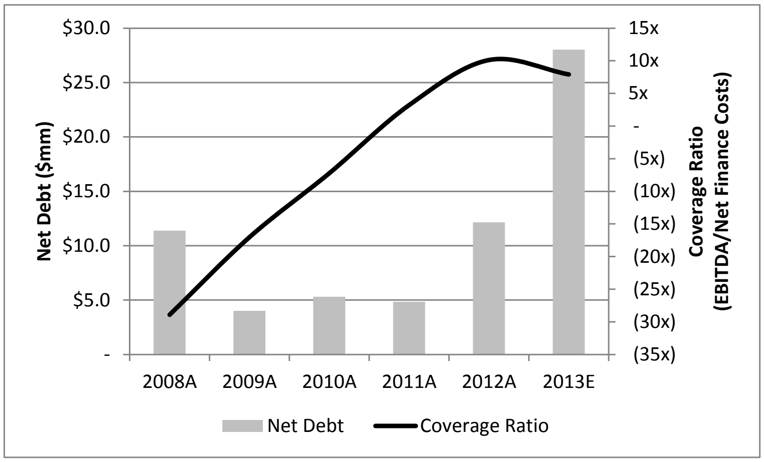
The senior secured facility with PNC Bank Canada Branch was originally for $12.5 million, and obtained in August 2012. It allowed the Company to eliminate some higher interest debt and support the ATI acquisition. It has since been increased twice, to its current $35.0 million level, and extended to September 2017. It carries a rate of prime plus 2%. With the recent increase in the facility's maximum, the Company also obtained an increase in its allowable CAPEX, to $20.0 million in F2014, $15.0 million in F2015, and $6.0 million thereafter.

The $6.0 million convertible debenture was issued in May 2013 to support the CTHA acquisition. It has a coupon of 6%, and matures May 2015. The conversion price is $0.50 per share. During Q3/13, a portion of this was converted to stock, resulting in the issuance of almost 1.2 million shares. We estimate that approximately $5.4 million (face value) remains outstanding.

The Company also has a $1.5 million mortgage facility related to the land acquisition in June 2013, and $1.0 million (face value) in vendor take-back financing related to the CTHA acquisition, which is repayable in $0.5 million installments in June 2014 and June 2015.

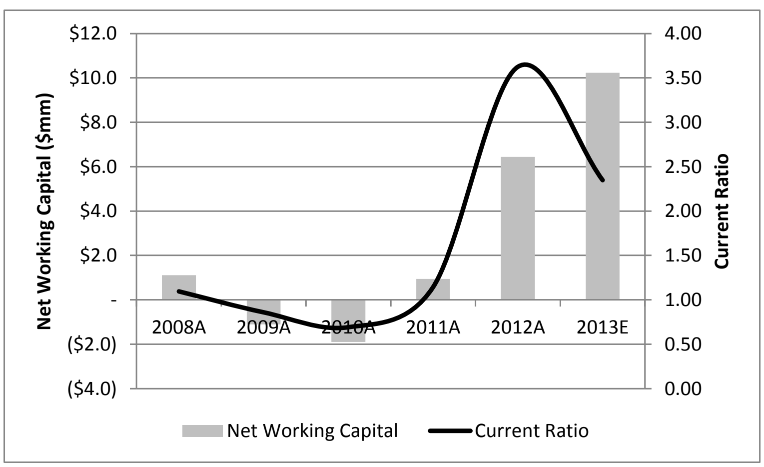
While the Company's total debt level has increased in recent years, its interest coverage ability has improved materially, owing to a stronger business outlook and accretive acquisitions. The Company's liquidity has also improved substantially, following the working capital deficits of F2009 and F2010. This is reflected below.

Figure 27 ***Debt Levels & Interest Coverage***



Source: Company Reports, Jennings Capital Inc.

Figure 28 ***Liquidity***



Source: Company Reports, Jennings Capital Inc.

INVESTMENT RISKS

While not an exhaustive list, we view the following investment risks as being most relevant to Enterprise.

Customer Concentration – The Company's largest customer contributed 42% of Q3/13 revenue and 36% of YTD revenue. No other customer contributed more than 10% of revenue.

The loss of this customer would negatively impact our estimates. However, we note that this customer renewed its original multi-year agreement with the Company last year and also awarded it a similarly sized second project. We therefore believe that its relationship with this customer is solid.

Acquisition Risk – Thus far, management has successfully found strong acquisition targets at reasonable multiples. Given our bullish view of this industry, we expect the market for acquisition targets to become increasingly competitive. Moreover, the Company must also balance the need to integrate these targets to the extent possible, while also maintaining (and building on) the operational reputations and brand value that it has established.

Energy Sector Reliance – The vast majority of the Company's revenue base is tied, at least indirectly, to continued economic growth in Alberta, which is in turn dependent on the energy industry. While we are bullish on economic growth for this region, any short-term broad-based decline would negatively impact our estimates for Enterprise.

Balance Sheet Risk – Although the Company's balance sheet is much improved, any use of debt represents additional risk. We believe that the Company's leverage level is reasonable and manageable.

APPENDIX A – SENIOR MANAGEMENT & BOARD OF DIRECTORS

Senior Management

Leonard D. Jaroszuk
Chairman, Chief Executive Officer & 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 took a lead role in developing Enterprise's growth in its first year of operations. Mr. Jaroszuk also currently serves as a director on several oil and gas service and manufacturing companies.

Desmond O'Kell
Senior Vice President, Corporate Secretary & Director

Mr. O'Kell has been with Enterprise since its inception and has been a member of Enterprise's board of directors since 2011. Mr. O'Kell has extensive experience in corporate build-out, finance, and business operations. Prior to this appointment, Mr. O'Kell was President of Eland Jennings Inc., a private investment holdings company. Mr. O'Kell has been a board member of another listed issuer on the TSXV since 2006.

Warren Cabral, C.A.
Chief Financial Officer

Mr. Cabral was most recently CFO for the Alberta Investment Management Corporation (AIMCo), 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.

Doug Bachman
Chief Operating Officer

Mr. Bachman brings in excess of 25 years' experience of Corporate Finance and Management from a tier one Canadian chartered bank. During his financial career Doug has attained numerous top performance and achievement awards across Canada. Mr. Bachman has a Business Management Degree and numerous other courses including Financial Credit and Risk Analysis, Canadian Securities Certificate, and is a graduate of the University of Alberta Corporate Executive Program.

Board of Directors

Leonard D. Jaroszuk
Chairman, Chief Executive Officer & President (see prior)

Desmond O'Kell
Senior Vice President, Corporate Secretary & Director (see prior)

Manu K. Sekhri

Mr. Sekhri has over 15 years of investment banking experience in both Canada and the U.S. Currently, he is President & CEO of Ascendant Securities Inc. headquartered in Toronto, Canada. Prior to founding Ascendant, he was Head of Capital Markets at Pope & Company. Prior to that he was Head of Technology Media and Telecom, Investment Banking and overall European distribution, Blackmont Capital. Mr. Sekhri has a further 10 years' investment banking experience at: Deutsche Bank Alex. Brown (Boston and Toronto), Scotia Capital (Toronto), Westwind Partners (Toronto), and TD Securities (Toronto) Prior to joining the finance Industry, he worked as a professional engineer in the mining sector. Mr. Sekhri earned his Bachelor of Engineering (BEng) at the University of Waterloo, and a Master of Business Administration (MBA) at the DeGroote School of Business.

John Pinsent, CA

After a distinguished 10-year career with Ernst & Young, John Pinsent became a founding partner with St. Arnaud Pinsent Steman Chartered Accountants ("SPS"). In 2006, John was awarded the Institute of Chartered Accountants of Alberta Distinguished Service Award for his support of the Province's high technology community. John currently holds board seats on four Canadian listed companies, two of them on the Toronto Stock Exchange.

APPENDIX B – FINANCIAL STATEMENTS

Income Statements	2008A	2009A	2010A	2011A	2012A	Q1/13A	Q2/13A	Q3/13A	Q4/13E	2013E	2014E	2015E
Revenue	39.8	27.7	15.6	17.9	18.5	8.9	4.8	10.0	12.1	35.8	82.2	101.4
Direct Costs	29.7	25.6	13.8	13.2	10.8	3.7	3.2	5.7	7.3	19.8	40.5	48.1
Gross Profit	10.1	2.1	1.8	4.7	7.7	5.2	1.7	4.3	4.8	16.0	41.7	53.3
Selling, General & Administrative	5.3	4.1	3.3	3.1	3.2	1.3	2.4	2.0	4.5	10.2	10.4	11.4
Depreciation of Property, Plant & Equipment	2.6	1.8	1.4	1.1	1.3	0.5	0.5	0.6	0.6	2.3	3.9	4.8
Amortization of Intangible Assets	-	-	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.2	0.2	0.2
Acquisition Costs	-	-	-	-	0.3	-	-	-	-	-	-	-
Gain on Sale of Property, Plant & Equipment	0.3	1.7	0.2	0.1	0.2	0.0	0.0	(0.0)	-	0.0	-	-
Goodwill Writedown	15.1	-	-	-	-	-	-	-	-	-	-	-
Impairment Losses on Property, Plant & Equipment	-	-	-	0.1	-	-	-	-	-	-	-	-
Other Expenses (Income)	-	-	(0.0)	(0.6)	(0.0)	(0.0)	(0.0)	0.0	-	(0.0)	-	-
Operating Expenses	23.3	7.7	5.1	3.9	5.1	1.9	3.0	2.7	5.2	12.7	14.5	16.4
Operating Profit	(13.2)	(5.6)	(3.3)	0.8	2.6	3.4	(1.3)	1.6	(0.4)	3.3	27.2	36.9
Fair Value Adjustment on Investment Property	-	-	-	-	-	-	-	1.5	-	1.5	-	-
Finance Costs	0.4	0.2	0.2	0.7	0.4	0.2	0.2	0.3	0.3	1.0	1.7	1.5
Earnings before Taxes	(13.6)	(5.8)	(3.5)	0.1	2.1	3.2	(1.5)	2.9	(0.7)	3.8	25.5	35.3
Income Taxes (Recovery)	(1.3)	(1.3)	2.1	-	(0.3)	-	-	(1.1)	(0.1)	(1.2)	6.6	10.6
Net Earnings	(12.3)	(4.5)	(5.6)	0.1	2.5	3.2	(1.5)	3.9	(0.5)	5.0	19.0	24.7
Basic WASO	41.6	42.2	48.7	51.5	55.5	59.5	68.2	82.5	110.1	80.1	110.1	110.1
Diluted WASO	41.6	42.2	48.7	51.5	56.2	61.9	68.2	85.7	135.9	87.9	135.9	135.9
Basic EPS	($0.29)	($0.11)	($0.11)	$0.00	$0.04	$0.05	($0.02)	$0.05	($0.00)	$0.06	$0.17	$0.22
Diluted EPS	($0.29)	($0.11)	($0.11)	$0.00	$0.04	$0.05	($0.02)	$0.05	($0.00)	$0.06	$0.14	$0.18
Revenue Growth	(16%)	(30%)	(44%)	14%	3%	145%	24%	131%	82%	94%	129%	23%
Diluted EPS Growth	-	nmf	nmf	nmf	nmf	nmf	nmf	nmf	(100%)	50%	133%	29%
Gross Margin	25%	8%	11%	26%	41%	58%	35%	43%	40%	45%	51%	53%
EBITDA	(10.7)	(3.8)	(1.7)	2.0	4.0	3.9	(0.7)	3.9	0.3	7.3	31.3	41.9
EBITDA Margin	(27%)	(14%)	(11%)	11%	22%	44%	(15%)	39%	2%	20%	38%	41%
EBITDAS (Company version)	(10.6)	(3.5)	(1.5)	2.2	4.2	3.9	(0.1)	3.9	0.3	7.9	31.3	41.9
EBITDAS Margin	(27%)	(13%)	(9%)	12%	22%	44%	(2%)	39%	2%	22%	38%	41%
Earnings Margin	(31%)	(16%)	(36%)	0%	13%	36%	(32%)	39%	(5%)	14%	23%	24%
Efficiency	134%	135%	106%	107%	65%	114%	39%	68%	61%	45%	76%	78%
Return on Assets	(41%)	(22%)	(38%)	0%	9%	41%	(13%)	27%	(3%)	6%	18%	19%
Leverage	188%	163%	190%	187%	237%	191%	223%	212%	192%	192%	181%	152%
Return on Equity	(77%)	(36%)	(72%)	1%	21%	77%	(28%)	57%	(5%)	12%	32%	29%

Source: Company Reports, Jennings Capital Inc.

Balance Sheets	2008A	2009A	2010A	2011A	2012A	Q1/13A	Q2/13A	Q3/13A	Q4/13E	2013E	2014E	2015E
Cash & Equivalents	0.6	1.7	0.4	0.4	1.2	1.2	3.1	4.6	1.1	1.1	2.4	0.8
Trade & Other Receivables	11.1	4.0	2.7	4.8	6.1	6.4	5.1	9.6	10.1	10.1	17.5	22.5
Unbilled Revenue	-	-	0.2	0.9	0.4	1.9	1.6	1.1	1.5	1.5	2.5	3.0
Inventories	0.7	0.7	0.7	1.0	0.6	0.5	1.1	1.4	3.8	3.8	6.5	7.9
Deposits & Prepaid Expenses	0.4	0.4	0.2	0.3	0.7	0.6	1.8	3.0	1.5	1.5	2.5	3.0
Current Assets	12.8	6.7	4.2	7.5	8.9	10.6	12.7	19.7	17.8	17.8	31.5	37.3
Property, Plant & Equipment	14.8	10.5	9.5	8.4	15.9	17.0	27.3	25.7	36.9	36.9	53.0	68.3
Investment Property	-	-	-	-	-	-	-	3.6	3.6	3.6	3.6	3.6
Goodwill	-	-	-	-	1.6	1.6	6.9	6.9	17.7	17.7	17.7	17.7
Intangible Assets	1.2	1.1	0.9	0.8	1.2	1.2	1.1	1.0	1.0	1.0	0.8	0.5
Marketable Securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-
Deferred Tax Assets	0.9	2.3	-	-	0.9	0.9	0.9	1.9	1.9	1.9	1.9	1.9
Non-Current Assets	17.0	13.8	10.5	9.2	19.6	20.6	36.2	39.2	61.1	61.1	77.0	92.0
Total Assets	29.8	20.6	14.7	16.7	28.5	31.2	49.0	58.9	78.9	78.9	108.5	129.3
Trade & Other Payables	1.9	2.3	1.3	2.6	1.5	2.6	2.6	3.6	5.9	5.9	6.4	7.4
Current Portion of Loans & Borrowing	9.8	5.6	4.9	3.9	0.9	0.9	1.5	1.7	1.7	1.7	1.7	1.7
Current Liabilities	11.7	7.8	6.1	6.5	2.5	3.5	4.2	5.3	7.6	7.6	8.1	9.1
Long-Term Portion of Loans & Borrowing	2.2	0.1	0.8	1.3	12.4	9.7	20.0	22.9	27.4	27.4	37.5	32.5
Deferred Tax Liabilities	-	-	-	-	1.6	1.6	2.9	2.9	2.9	2.9	2.9	2.9
Non-Current Liabilities	2.2	0.1	0.8	1.3	14.0	11.3	22.8	25.8	30.3	30.3	40.4	35.4
Total Liabilities	13.9	8.0	7.0	7.8	16.4	14.8	27.0	31.1	37.9	37.9	48.4	44.5
Share Capital	24.0	24.9	24.9	25.6	25.9	26.7	33.2	35.6	49.4	49.4	49.4	49.4
Warrants	0.0	0.1	0.0	0.3	0.3	0.8	0.6	0.1	0.1	0.1	0.1	0.1
Convertible Debenture	-	-	-	-	-	-	0.3	0.3	0.3	0.3	0.3	0.3
Contributed Surplus	1.1	1.4	1.6	1.8	2.1	2.1	2.6	2.6	2.6	2.6	2.6	2.6
Accumulated Other Comprehensive Income (Loss)	(0.1)	-	0.0	(0.0)	(0.0)	(0.0)	-	-	-	-	-	-
Retained Earnings	(9.2)	(13.8)	(18.9)	(18.8)	(16.3)	(13.1)	(14.7)	(10.7)	(11.3)	(11.3)	7.7	32.5
Shareholders' Equity	15.9	12.6	7.8	8.9	12.0	16.4	21.9	27.8	41.1	41.1	60.1	84.8
Liabilities & Shareholders' Equity	29.8	20.6	14.7	16.7	28.5	31.2	49.0	58.9	78.9	78.9	108.5	129.3
Current Ratio	1.09	0.86	0.69	1.14	3.62	3.04	3.04	3.71	2.35	2.35	3.91	4.09
Net Working Capital	1.1	(1.1)	(1.9)	0.9	6.4	7.1	8.6	14.4	10.2	10.2	23.4	28.2
Total Debt	12.0	5.7	5.7	5.2	13.3	10.6	21.5	24.6	29.1	29.1	39.2	34.2
Net Debt	11.4	4.0	5.3	4.8	12.1	9.5	18.4	20.0	28.0	28.0	36.8	33.4
Coverage Ratio (EBITDA/Net Finance Costs)	(28.9x)	(17.0x)	(7.2x)	3.2x	10.1x	21.3x	(0.5x)	14.0x	0.9x	7.9x	18.7x	27.2x
Net Debt / EBITDAS (Current Period)	(1.1x)	(1.1x)	(3.6x)	2.2x	2.9x	0.6x	(38.5x)	1.3x	23.8x	3.5x	1.2x	0.8x

Source: Company Reports, Jennings Capital Inc.

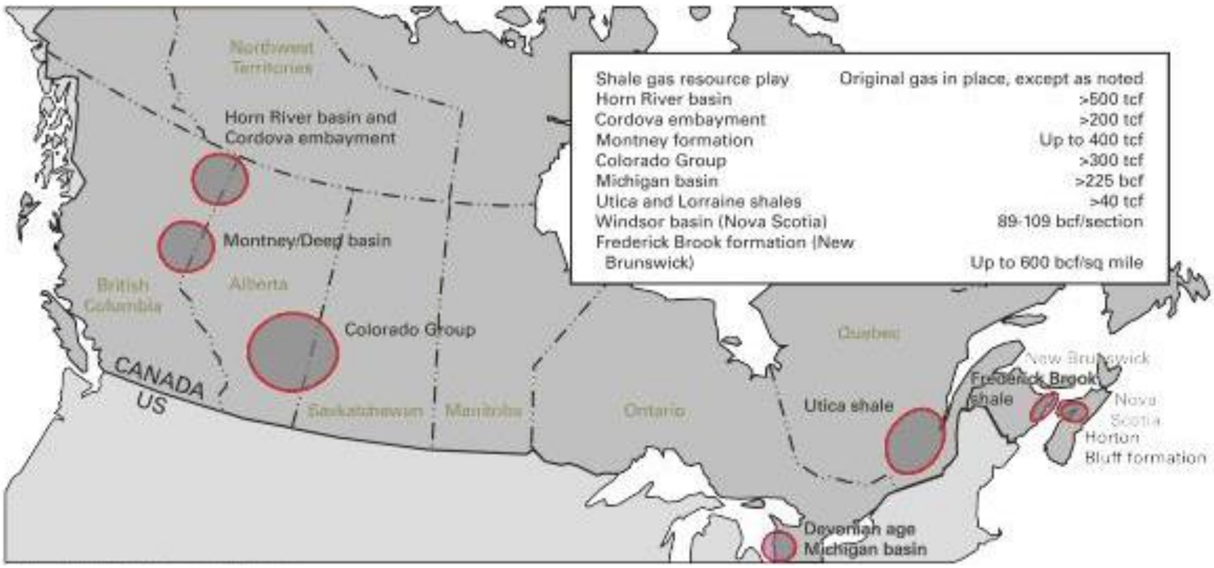
Cash Flow Statements	2008A	2009A	2010A	2011A	2012A	Q1/13A	Q2/13A	Q3/13A	Q4/13E	2013E	2014E	2015E
Earnings before Taxes	(13.6)	(5.8)	(3.5)	0.1	2.1	3.2	(1.5)	2.9	(0.7)	3.8	25.5	35.3
Depreciation of Property, Plant & Equipment	2.2	1.7	1.4	1.1	1.3	0.5	0.5	0.6	0.6	2.3	3.9	4.8
Amortization of Intangible Assets	0.3	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.2	0.2	0.2
Income Taxes Paid	-	-	-	-	-	-	-	-	0.1	0.1	(6.6)	(10.6)
Finance Expense	-	-	0.2	0.7	0.4	0.2	0.2	0.3	0.3	1.0	1.7	1.5
Share-Based Payments	0.1	0.2	0.2	0.2	0.1	0.0	0.6	(0.0)	-	0.6	-	-
Goodwill Writedown	15.1	-	-	-	-	-	-	-	-	-	-	-
Other Items	0.3	1.8	0.2	0.0	0.2	0.0	0.0	(1.5)	(0.0)	(1.5)	-	-
Non-Cash Items	18.1	3.9	2.2	2.2	2.2	0.8	1.5	(0.5)	1.1	2.8	(0.8)	(4.1)
Operating Cash Flow	4.5	(1.9)	(1.3)	2.2	4.4	3.9	(0.1)	2.4	0.4	6.6	24.8	31.3
Net Change in Non-Cash Working Capital	(2.8)	7.5	0.2	(1.8)	(2.4)	(0.7)	2.5	(4.5)	0.6	(2.0)	(11.9)	(6.3)
Cash From (Used In) Operating Activities	1.9	5.5	(1.1)	0.4	1.9	3.3	2.4	(2.1)	1.1	4.6	12.9	24.9
Net Increase (Decrease) in Debt	(1.8)	(6.3)	0.0	(0.7)	7.2	(2.6)	4.5	3.2	4.5	9.6	10.1	(5.0)
Proceeds from Convertible Debenture	-	-	-	-	-	-	5.6	-	-	5.6	-	-
Convertible Debenture Conversion to Common Shares	-	-	-	-	-	-	-	0.6	-	0.6	-	-
Interest & Borrowing Costs Paid on Loans and Borrowings	-	-	(0.2)	(0.7)	(0.8)	(0.2)	(0.0)	(0.5)	(0.3)	(1.0)	(1.7)	(1.5)
Proceeds on Issuance of Shares	0.2	1.0	-	0.9	-	1.1	4.1	-	13.8	19.0	-	-
Share Repurchase	(0.1)	(0.0)	-	-	-	-	-	-	-	-	-	-
Share Issue Costs	-	-	-	(0.0)	-	-	(0.0)	-	-	(0.0)	-	-
Proceeds on Exercise of Options	-	-	-	-	0.0	0.1	0.3	0.0	-	0.4	-	-
Proceeds on Exercise of Warrants	-	-	-	-	0.0	0.1	1.3	1.4	-	2.7	-	-
Cash From (Used In) Financing Activities	(1.7)	(5.3)	(0.2)	(0.5)	6.4	(1.7)	15.7	4.7	18.0	36.8	8.4	(6.5)
Acquisition of Subsidiary	-	-	-	-	(4.6)	-	(12.8)	-	(21.6)	(34.4)	-	-
Purchase of Property, Plant & Equipment	(0.6)	(1.0)	(0.9)	(0.4)	(3.2)	(1.6)	(3.5)	0.9	(1.0)	(5.1)	(20.0)	(20.0)
Proceeds from Sale of Property, Plant & Equipment	0.5	1.9	0.9	0.5	0.3	-	0.0	0.0	-	0.0	-	-
Proceeds on Sale of Marketable Security	-	-	-	-	-	-	-	0.0	-	0.0	-	-
Purchase of Investment Property	-	-	-	-	-	-	-	(2.1)	-	(2.1)	-	-
Cash From (Used In) Investing Activities	(0.0)	0.9	(0.0)	0.1	(7.6)	(1.6)	(16.2)	(1.1)	(22.6)	(41.5)	(20.0)	(20.0)
Net Change in Cash & Equivalents	0.1	1.1	(1.3)	(0.0)	0.8	0.0	1.9	1.5	(3.6)	(0.1)	1.3	(1.6)
Beginning Cash	0.5	0.6	1.7	0.4	0.4	1.2	1.2	3.1	4.6	1.2	1.1	2.4
Ending Cash	0.6	1.7	0.4	0.4	1.2	1.2	3.1	4.6	1.1	1.1	2.4	0.8
Operating Cash Flow	4.5	(1.9)	(1.3)	2.2	4.4	3.9	(0.1)	2.4	0.4	6.6	24.8	31.3
OCF PS	$0.11	($0.05)	($0.03)	$0.04	$0.08	$0.06	($0.00)	$0.03	$0.00	$0.08	$0.18	$0.23
Free Cash Flow	(12.1)	6.0	(3.1)	0.4	(5.4)	1.7	(13.9)	(0.5)	(21.6)	(33.8)	(7.5)	4.5
FCF PS	($0.29)	$0.14	($0.06)	$0.01	($0.10)	$0.03	($0.20)	($0.01)	($0.16)	($0.39)	($0.06)	$0.03

Source: Company Reports, Jennings Capital Inc.

APPENDIX C – LNG IN BRITISH COLUMBIA

The National Energy Board (NEB) estimates that approximately 84% (531 Tcf of 632 Tcf) of Western Canada's marketable natural gas is from unconventional sources. A large portion of that resource is found in the Horn River and Montney plays in northeastern B.C.

Figure 29 Canada's Shale Gas Plays



Source: Canadian Association for Unconventional Gas

British Columbia currently produces approximately 3.5 billion cubic feet (bcf) of natural gas per day, making it the 2nd largest producing province. To date, gas from Western Canada has served only North American markets, with approximately 61% of that production exported to the United States, and the remainder consumed in Canada.

However, with the significant increase in natural gas production in the United States, its need for Canadian gas has declined. As shown below, the primary end market for natural gas in North America – the Eastern U.S. – is increasingly well served by domestic supplies. Exports of gas from Western Canada have therefore declined 19% from 10.4 Bcf/d in 2007 to 8.4 Bcf in 2012.

Figure 30 Saturation of Traditional Markets

Source: Energy Information Administration (EIA), Canadian Association of Petroleum Producers (CAPP)

Increased competition within North America is making the search for alternative markets increasingly important. At the same time, B.C. is geographically well positioned to market its gas to Asian markets. Japan, the world's largest LNG importer with an approximate 37% share of global imports in 2012, is just eight sailing days away from West Coast ports of Kitimat and Prince Rupert. While North American gas prices remain depressed owing to the increase in local supply, major importers such as Japan typically link their long-term LNG supply contracts to oil prices, which could improve netbacks to LNG suppliers out of Western Canada. This makes Asian markets a potentially lucrative alternative for LNG from B.C.

A number of projects have been announced that would see LNG exported from British Columbia to offshore markets, particularly in Asia. The more advanced projects are highlighted in the next figure, with additional detail presented in Appendix D.

Figure 31 Proposed LNG Projects in B.C.

Source: Northwest Institute for Bioregional Research

These proposed LNG projects would also require the construction of LNG pipelines. Announced pipeline proposals and the LNG facilities that they are associated with are highlighted below.

Figure 32 Proposed LNG Pipelines

Pipeline Project	Associated LNG Facility	BCEA Status	Length (km)
Pacific Trail Pipeline	Kitimat LNG (Apache and Chevron)	Certificate Extension	463
Coastal GasLink Pipeline	LNG Canada (Shell Canada, PetroChina Company, Korea Gas Corp. and Mitsubishi.)	Pre-Application	700
Prince Rupert Gas Transmission	Pacific Northwest LNG (Progress Energy, PETRONAS and Japan Petroleum Exploration Company)	Pre-Application	750
Pacific Northern Gas Transmission Pipeline Expansion	Indeterminate LNG Proponents	Certificate Extension	525
Westcoast Connector Gas Transmission	Prince Rupert LNG (British Gas (BG) Group)	Pre-Application	850
Eagle Mountain - Woodfibre Gas Pipeline	Woodfibre LNG (Pacific Energy Corporation)	Pre-Application	52

Source: Canadian Association of Petroleum Producers (CAPP)

Enterprise Group is well positioned to benefit from the additional pipeline activity. The Company currently has one operational location in British Columbia. As there is significant business to be won pending development of the LNG industry there, we expect the Company to strengthen its presence, with acquisitions potentially playing a role.

The provincial government has openly named the development of the LNG industry as a major component of its economic plan. Moreover, it has committed to having three LNG facilities operating by 2020, assuming that environmental permitting is granted. That alone would produce over $20 billion in direct investment.

Approximately one year ago, the province announced plans for a new tax system for the industry, with a view to creating a prosperity fund similar to those in Alberta and Norway. In February 2014, the province released its budget for the coming year. It announced plans to introduce legislation related to the tax rates and specific features in late 2014, with remaining components (e.g. administration, enforcement) to be introduced in 2015. The basic structure includes a two-tier system, with a tier one rate of 1.5% applicable on the operator's net proceeds (revenue less expenses) once commercial production begins. A tier two rate of up to 7% would apply once the operator has recovered its construction costs. The tier one taxes paid would also be eligible for use as a credit against tier two taxes payable. The tax would apply to all LNG facilities in the province, regardless of where the LNG goes (i.e. export v. domestic use). The budget also provided for an additional $29 million over three years to support LNG development, and another $9 million over three years to support environmental assessments.

While some in the industry have argued that these rates are not globally competitive, there is at least somewhat less uncertainty than there was leading up to the budget.

APPENDIX D – LNG PROJECTS IN B.C.

Project Name	Project Partners	NEB Export License Status	BC Environmental Assessment (BCEA) Status	Canadian Environmental Assessment (CEAA) Status	Investment Decision Expected	In-Service Date Expected	Expected Capacity (mmtpa)
Kitimat LNG	Apache and Chevron	20-year license approved October 2011.	Certificate Extension	In Progress.	2014	2017/18	10 (2 phases)
Douglas Channel Energy Project (BC LNG)	Dougas Channel Gas Services, Haisla Nation, Golar LNG, LNG Partners LLC	Under review.	Does not trigger BCEA Process.	Does not trigger the CEAA Process.	2014	2016	1.8
LNG Canada	Shell Canada, PetroChina Company, Korea Gas Corp. and Mitsubishi.	25-year license approved February 2013.	Pre-application.	In Progress.	2015	2017/18	24 (2 phases)
Pacific Northwest LNG	Progress Energy, PETRONAS and Japan Petroleum Exploration Company	25-year license approved December 2013.	Pre-application.	In Progress.	Late 2014	2018	18 (3 phases)
West Coast LNG	Imperial Oil and ExxonMobil Canada	25-year license approved December 2013.	Application to be filed.	Application to be filed.	TBA	2021	30
Prince Rupert LNG	British Gas (BG) Group	25-year license approved December 2013.	Pre-application.	In Progress.	TBA	2019	21 (3 phases)
Woodfibre LNG	Pacific Energy Corporation	25-year license approved December 2013.	Pre-application.	In Progress.	Q2/14	Q1/17	2.1
Triton LNG	AltaGas and Idemitsu Canada Corp.	Under review.	Application to be filed.	Application to be filed.	TBA	2017	2.3
Aurora LNG	Nexen (CNOOC subsidiary), INPEX Corp. and JGC Corp.	Under review.	Application to be filed.	Application to be filed.	TBA	2021	24
SK E&S	SK Group	Application to be filed.	Application to be filed.	Application to be filed.	TBA	TBA	TBA
Woodside LNG	Woodside Petroleum (Australia)	Application to be filed.	Application to be filed.	Application to be filed.	TBA	TBA	TBA
Discovery LNG	Quicksilver Resources	Application to be filed.	Application to be filed.	Application to be filed.	TBA	2019	TBA
Kitsault LNG	Kitsault Energy Ltd. Of Canada	Under review.	Application to be filed.	Application to be filed.	TBA	TBA	TBA

Source: Company Reports, Capital IQ, Jennings Capital Inc. (Market and financial data are shown in the listing currency).

JENNINGS CAPITAL INC.

APPENDIX E – COMPARABLE COMPANIES

									TTM Results			Profitability & Balance Sheet				F2014E					F2015E				
Ticker	Company	Last	52-Week High	52-Week Low	Market Cap. ($mm)	Cash ($mm)	Debt ($mm)	EV ($mm)	Revenue ($mm)	EBITDA ($mm)	Diluted EPS	TTM EBITDA Margin	Dividend Yield	Debt / EV	Debt / 2014E EBITDA	EV / Sales	EV / EBITDA	P / E	EPS Growth	EBITDA Growth	EV / Sales	EV / EBITDA	P / E	EPS Growth	EBITDA Growth
TSX:BAD	Badger Daylighting Ltd.	$33.88	$33.51	$11.13	$1,231	$2	$56	$1,285	$300	$80	$0.95	27%	0.8%	4%	0.5x	3.3x	11.4x	26.3x	22%	22%	2.7x	9.6x	23.0x	14%	18%
TSX:ARE	Aecon Group Inc.	$15.46	$16.40	$10.32	$872	$83	$582	$1,370	$3,154	$153	$0.54	5%	2.0%	42%	2.6x	0.4x	6.0x	11.4x	63%	25%	0.4x	5.5x	9.4x	21%	9%
TSX:CUQ	The Churchill Corporation	$9.09	$10.76	$7.00	$224	$37	$153	$340	$1,099	$37	$0.02	3%	5.3%	45%	3.0x	0.3x	6.7x	17.9x	160%	25%	0.3x	5.5x	11.9x	51%	21%
TSXV:MCR	Macro Enterprises Inc.	$6.25	$7.35	$1.60	$191	$5	$12	$199	$201	$47	$0.77	23%	-	6%	0.2x	0.9x	3.7x	6.3x	9%	9%	nmf	nmf	nmf	nmf	nmf
TSXV:ENT	ENTREC Corporation	$1.46	$1.79	$1.05	$170	$1	$127	$297	$204	$51	$0.15	25%	-	43%	1.9x	1.1x	4.5x	7.5x	18%	23%	1.0x	3.8x	6.3x	19%	19%
TSX:PRW	Petrowest Corporation	$0.99	$1.14	$0.60	$146	$0	$82	$228	$211	$30	($0.04)	14%	-	36%	1.8x	0.9x	5.1x	10.7x	517%	31%	0.8x	4.6x	9.9x	8%	12%
TSXV:LSI	LoneStar West Inc	$2.64	$4.20	$2.07	$62	$6	$13	$68	$30	$3	$0.04	11%	-	18%	1.8x	1.6x	9.9x	nmf	(150%)	23%	1.2x	6.2x	34.3x	nmf	59%
TSXV:CFL	CERF Incorporated	$3.05	$3.19	$2.51	$48	-	$19	$68	$45	$7	$0.20	16%	7.9%	29%	1.4x	1.5x	4.9x	11.3x	43%	26%	1.4x	4.5x	9.7x	17%	8%
											Average	15%	2.0%	28%	1.7x	1.2x	6.5x	13.1x	85%	23%	1.1x	5.7x	14.9x	22%	21%
											High	27%	7.9%	45%	3.0x	3.3x	11.4x	26.3x	517%	31%	2.7x	9.6x	34.3x	51%	59%
											Low	3%	-	4%	0.2x	0.3x	3.7x	6.3x	(150%)	9%	0.3x	3.8x	6.3x	8%	8%
											Adjusted Average	**16%**	**1.3%**	**29%**	**1.7x**	**1.1x**	**6.2x**	**11.8x**	**52%**	**24%**	**1.0x**	**5.3x**	**12.8x**	**18%**	**16%**

Source: Company Reports, Capital IQ, Jennings Capital Inc.

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TENDER TO OFFER	0
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