



# **DISTINCT INFRASTRUCTURE GROUP INC.**

**Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2018 and June 30, 2017**

(Unaudited, expressed in Canadian Dollars)

# Distinct Infrastructure Group Inc.

## Table of Contents

	<b>Page</b>
Unaudited Condensed Interim Consolidated Financial Statements:	
Unaudited Condensed Interim Consolidated Statements of Financial Position	4
Unaudited Condensed Interim Consolidated Statements of Comprehensive Loss	5
Unaudited Condensed Interim Consolidated Statements of Cash Flows	6
Unaudited Condensed Interim Consolidated Statements of Changes in Equity	7
Notes to the Unaudited Condensed Interim Consolidated Financial Statements	8

## Notice of No Auditor Review of Interim Consolidated Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The management of Distinct Infrastructure Group Inc. is responsible for the preparation of the accompanying unaudited condensed interim consolidated financial statements. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and are considered by management to present fairly the consolidated financial position, operating results and cash flows of the Company.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor. These unaudited condensed interim consolidated financial statements include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the interim consolidated financial position, results of operations and cash flows.

*"Joe Lanni"*

.....  
Joe Lanni  
Chief Executive Officer  
Toronto, Ontario  
August 27, 2018

*"Alex Agius"*

.....  
Alex Agius  
Chief Executive Officer  
Toronto, Ontario  
August 27, 2018

**Distinct Infrastructure Group Inc.**

## Condensed Interim Consolidated Statements of Financial Position

As at June 30, 2018 and December 31, 2017

(Unaudited)

		June 30, 2018	December 31, 2017
	Notes	\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		1,409,483	3,657,134
Accounts receivable	6	31,739,983	16,279,671
Inventory		1,561,828	139,828
Prepaid expenses and deposits		1,288,666	929,919
Unbilled revenue	6(b)	35,910,564	46,739,453
Due from related party	15	250,000	250,000
<b>TOTAL CURRENT ASSETS</b>		<b>72,160,524</b>	<b>67,996,005</b>
<b>Non-Current Assets</b>			
Deposits		105,000	105,000
Accounts receivable		-	247,413
Property and equipment	7(a)	22,511,301	23,977,709
Intangibles	7(b)	420,757	504,908
Goodwill	8	2,795,212	2,795,212
Due from related party	15	1,185,418	872,928
<b>Total Non-Current Assets</b>		<b>27,017,688</b>	<b>28,503,170</b>
<b>TOTAL ASSETS</b>		<b>99,178,212</b>	<b>96,499,175</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	19	13,280,901	13,556,714
Current portion of debentures and other debt	10	1,492,662	1,469,462
Income taxes payable		562,979	637,978
Revolving loan	11	-	27,638,408
Current portion of finance lease obligations	13	2,625,727	2,696,695
Current portion of long-term debt		-	19,871,636
<b>Current Liabilities</b>		<b>17,962,269</b>	<b>65,870,893</b>
Debentures and other debt	10	-	12,361
Long-term debt		19,886,168	-
Revolving Loan	11	32,889,762	-
Finance lease obligations	14	2,681,441	2,752,478
Deferred tax payable		2,544,300	2,544,300
<b>Total long-term liabilities</b>		<b>58,001,671</b>	<b>5,309,139</b>
<b>TOTAL LIABILITIES</b>		<b>75,963,940</b>	<b>71,180,032</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common shares	12	34,572,427	34,531,210
Contributed surplus		528,108	464,418
Retained earnings		(11,886,263)	(9,676,485)
<b>Total Equity</b>		<b>23,214,272</b>	<b>25,319,143</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>99,178,212</b>	<b>96,499,175</b>

"Alexander Agius"

Director

"Joe Lanni"

Director

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

**Distinct Infrastructure Group Inc.**

## Condensed Interim Consolidated Statements of Comprehensive Loss

For the three and six months ended June 30, 2018 and 2017

(Unaudited)

	For the three months ended			For the six months ended	
		June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	Notes	\$	Restated – see note 4 \$	\$	Restated – see note 4 \$
<b>Revenue</b>	4	20,647,172	14,159,114	41,969,289	26,658,544
<b>Expenses</b>					
Direct costs	17	16,049,794	14,814,317	33,426,626	26,533,114
Selling, general and administrative	18	3,348,558	3,069,097	6,334,740	5,830,453
Depreciation		1,292,331	657,019	2,508,149	1,315,445
<b>Total expenses</b>		<u>20,690,683</u>	<u>18,540,433</u>	<u>42,269,515</u>	<u>33,679,012</u>
<b>Earnings from operations</b>		<u>(43,511)</u>	<u>(4,381,319)</u>	<u>(300,226)</u>	<u>(7,020,468)</u>
<b>Other expenses</b>					
Interest expense		985,472	630,107	1,699,552	1,639,464
Finance expense		-	1,933,308	-	1,933,308
Total finance expense	16	<u>985,472</u>	<u>2,563,415</u>	<u>1,699,552</u>	<u>3,572,772</u>
<b>Loss before taxes</b>		<u>(1,028,983)</u>	<u>(6,944,734)</u>	<u>(1,999,778)</u>	<u>(10,593,240)</u>
Income tax provision		110,000	-	210,000	-
<b>Net and comprehensive loss</b>		<u><u>(1,138,983)</u></u>	<u><u>(6,944,734)</u></u>	<u><u>(2,209,778)</u></u>	<u><u>(10,593,240)</u></u>
<b>Loss earnings per share:</b>					
<b>Basic and Diluted</b>	14	(0.02)	(0.20)	(0.05)	(0.30)

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

**Distinct Infrastructure Group Inc.**  
Condensed Interim Consolidated Statements of Cash Flows  
For the six months ended June 30, 2018 and 2017  
(Unaudited)

		<b>For the six months ended</b>	
	<b>Notes</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>
		<b>\$</b>	<b>\$</b>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>			
<b>OPERATING</b>			
Net loss		(2,209,778)	(10,593,240)
<b>Items not affecting cash</b>			
Accretion	16	28,036	28,426
Loss on extinguishment of long-term debt		-	1,122,567
Amortization of finance fees		25,431	-
Share based compensation		63,690	43,191
Depreciation		2,508,149	1,315,445
Gain (loss) on disposal		170,173	(103,115)
		<u>585,701</u>	<u>(8,186,726)</u>
<b>Changes in non-cash working capital items</b>			
Accounts receivable		(15,212,899)	(17,003,824)
Inventory		(1,422,000)	(8)
Prepaid expenses and deposits		(358,747)	(190,662)
Work in progress		10,828,889	14,323,340
Accounts payable and accrued liabilities		(275,813)	2,697,642
Income taxes paid		(74,999)	186,317
<b>Cash flows used in operating activities</b>		<u>(5,929,868)</u>	<u>(8,173,921)</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	7(a)	(192,803)	(559,339)
Proceeds from disposition of asset		915,000	485,768
<b>Cash flows from (used in) investing activities</b>		<u>722,197</u>	<u>(73,571)</u>
<b>FINANCING ACTIVITIES</b>			
Repayment from shareholder		-	54,000
Repayment of long-term debt		-	(20,000,000)
Proceeds from long-term debt		7,261	12,000,000
Proceeds from revolving loan		5,233,189	20,999,975
Repayment of credit facilities		-	(9,999,975)
Repayment of debentures and other debt		(17,197)	(532)
(Repayment) / proceeds from related parties		(312,490)	27,654
Payment of finance lease obligations		(1,991,960)	(1,442,886)
Proceeds from the issuance of shares, net of shares issuance costs		41,217	121,297
<b>Cash flows from finance activities</b>		<u>2,960,020</u>	<u>1,759,533</u>
<b>NET CASH OUTFLOW</b>		<u>(2,247,651)</u>	<u>(6,487,959)</u>
<b>CASH, BEGINNING OF PERIOD</b>		<u>3,657,134</u>	<u>9,448,829</u>
<b>CASH, END OF PERIOD</b>		<u>1,409,483</u>	<u>2,960,870</u>

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

**Distinct Infrastructure Group Inc.**

## Condensed Interim Consolidated Statements of Changes in Equity

For the six months ended June 30, 2018 and 2017

(Unaudited)

	Issued share capital		Contributed surplus	Retained Earnings	Total equity
	No. of shares	Amount			
<b>Balance, December 31, 2016</b> (restated – see note 4)	<b>35,295,305</b>	<b>\$21,104,399</b>	<b>\$286,958</b>	<b>\$3,505,124</b>	<b>\$24,896,481</b>
Broker warrants exercised	121,297	121,297	-	-	121,297
Share based compensation	-	-	177,460	-	177,460
Shares issued for services	90,000	125,000	-	-	125,000
Issued for business combination	2,962,963	3,370,370	-	-	3,370,370
Issuance of shares	7,614,000	10,278,900	-	-	10,278,900
Share issuance costs	-	468,756	-	-	(468,756)
Net and comprehensive income	-	-	-	(13,181,609)	(13,181,609)
<b>Balance, December 31, 2017</b>	<b>46,083,565</b>	<b>\$34,531,210</b>	<b>\$464,418</b>	<b>(\$9,676,485)</b>	<b>\$25,319,143</b>
Exercise of broker warrants for common shares (note 12)	41,217	41,217	-	-	41,217
Share based compensation (note 13)	-	-	63,690	-	63,690
Net and comprehensive income	-	-	-	(2,209,778)	(2,209,778)
<b>Balance, June 30, 2018</b>	<b>46,124,782</b>	<b>\$34,572,427</b>	<b>\$528,108</b>	<b>(\$11,886,263)</b>	<b>\$23,214,272</b>

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

## **Distinct Infrastructure Group Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited)

---

### **1. Nature and continuance of operations**

Distinct Infrastructure Group Inc. (“DIG”, the “Company” and or the “Group”) is a Canadian publicly traded design, engineering, construction, services and maintenance company. It predominantly services the telecommunications sector in southern Ontario, but has commenced services to other utilities in Ontario, Alberta and Manitoba. The Company was incorporated under the laws of the province of Ontario on April 25, 2007, and its name was subsequently changed by way of Articles of Amendment from Distinct Technical Services Inc. to DistinctTech Inc. In conjunction with the closing of a reverse take-over transaction with QE2 Acquisition Corp. (the “Transaction”) the Company changed its name to Distinct Infrastructure Group Inc. The Company’s shares are traded on the Toronto Venture Exchange (the “Exchange”) under the symbol DUG.

The head office, principal address and registered records office of the Company is located at 77 Belfield Road, Toronto, Ontario, M9W 1G6.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has an accumulated deficit of \$11,886,263 as at June 30, 2018 (December 31, 2017 – accumulated deficit of \$9,676,485), incurred a net and comprehensive loss of \$2,209,778 for the six months ended June 30, 2018, and had negative cash flows from operating activities of \$5,929,873 for the six months ended June 30, 2018.

The Company’s ability to continue as a going concern is dependent upon its ability to maintain profitable operations and to meet its covenants and obligations connected to its long-term debt and revolving loan. Management is in discussions with its lender and intends to explore new business acquisitions and revenue diversifying opportunities; however, there can be no certainty that such plans will be realized. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent on continued support from its lender, generation of positive cash flows from operations and/or equity financings. These interim consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

### **2. Basis of preparation**

#### **Statement of compliance**

These condensed interim consolidated financial statements (“financial statements”) have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements have been prepared following the same accounting principles and application methods as those disclosed in the Company’s annual audited consolidated financial statements for the year ended December 31, 2017. Because the disclosures provided in these condensed interim consolidated financial statements do not conform in all respects with International Financial Reporting Standards (“IFRS”) for annual financial statements, these condensed interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2017.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Director of the Company on August 27, 2018.

## Distinct Infrastructure Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited)

---

### 2. Basis of preparation *(continue from previous page)*

These financial statements include the accounts of Distinct Infrastructure Group Inc. and the following wholly owned subsidiaries as at June 30, 2018.

Name of subsidiary	Principal activity	Place of Business and operation	Equity interest
DistinctTech Inc.	Utilities construction	Toronto, ON	100%
Distinct Infrastructure Group West Inc.	Civil light construction	Edmonton, AB	100%
iVac Services West Inc.	Hydrovac services	Edmonton, AB	100%
iVac Services Inc.	Hydrovac services	Toronto, ON	100%
QE2 Holding Corp.	Inactive	Edmonton, AB	100%
Distinct Environmental Solutions Inc.	Inactive	Toronto, ON	100%
Crown Utilities Ltd.	Civil light construction	Winnipeg, MB	100%

The financial statements of the Company are presented in Canadian dollars which is the Company's functional currency and have been prepared on a going concern basis under the historical cost convention, except for the initial recognition of assets and liabilities acquired in a business combination and for certain financial instruments that have been measured at fair value.

The Senior Management of the Company have made the strategic decision to close its current Western Operations. The affected legal entities are Distinct Infrastructure Group West Inc., (civil engineering), and Ivac Services West Inc., (hydrovac services). Both divisions are located in Edmonton, Alberta.

This decision is predicated on the fact that the Western Operations, despite given significant time to generate acceptable performance targets and anticipated profitable contributions, has been unable to achieve the anticipated targets despite the significant financial investment.

The planned date of closure is set for July 31, 2018 with the anticipated completion of all open jobs scheduled to complete on or before the stated closure date. Most revenue generating assets have already been re-deployed to the Company's Central and Eastern Canada locations, with the remaining assets to follow suit once the outstanding work has been completed.

The year-to-date operational results of the Western Operations have been included in the consolidated financial statements under normal financial reporting as at June 30, 2018.

#### **Use of judgements and estimates**

Management is required to make estimates, judgements and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses and disclosure of contingent liabilities. Management reviews these judgements, estimates and assumptions on an ongoing basis. Actual results may differ from these estimates and these differences could be material.

#### Judgements

Judgement is used in situations when there is a choice and/or assessment required by management. The following are critical judgements apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have a significant effect on the amounts recognized in the consolidated financial statements.

## Distinct Infrastructure Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited)

---

### 2. Basis of preparation *(continue from previous page)*

#### Determining cash generating units (“CGU’s”)

For the purpose of assessing impairment of property and equipment and goodwill, assets are grouped at the lowest level of separately identified cash flows which make up the CGU. Determination of what constitutes a CGU is subject to management judgement. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU. In assessing the recoverability of tangible and intangible assets, each CGU’s carrying value is compared to the greater of its fair value less costs of disposal and value in use. Management has determined that the Company has three CGU’s; West, Central and East. In 2017, the Company acquired Crown Utilities Ltd. (“Central”).

#### Taxes

The Company applies judgement in determining the total provision for current and deferred taxes. There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain due to interpretations of complex tax regulations, changes in tax laws, and the amounts and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and expenses already recorded.

#### Contingencies

Management uses judgement to assess the existence of contingencies. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. Management also uses judgement to assess the likelihood of the occurrence of one or more future events.

#### Estimates

Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate or assumption is made. Critical accounting estimates are also those that could potentially have a material impact on the Company’s financial results within the next financial year were a different estimate or assumption used. The significant areas of estimation uncertainty are as follows:

#### Impairment of non-financial assets

The Company assesses impairment on its assets that are subject to depreciation when it has determined that a potential indicator of impairment exists. Impairment exists when the carrying value of a non-financial asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The Company uses the calculation of value in use to determine the recoverable amount of its CGUs. In determining the value in use, the amount is most sensitive to the selection and use of recent transactions, comparable data in the market and applied weighted average cost of capital to that data, to determine an implied fair value of the CGU being tested.

#### Revenue and unbilled revenue

The Company’s estimates of revenue and cost are highly detailed and many factors can and do change during a performance period, which can result in a change to profitability from one financial reporting period to another. Some of the factors that can change the estimate of total revenue and cost include differing site conditions, the performance of major material suppliers to deliver on time, unusual weather conditions and the accuracy of the original bid estimate. Because the Company has many contracts in process at any given time, these changes in estimates can offset each other without impacting overall profitability. However, changes in cost estimates can have a material impact on the Company’s consolidated financial statements.

A change order results from a change to the scope of the work to be performed compared to the original estimate that was signed. Unpriced change orders are change orders that have been approved as to scope but unapproved as to price. For such change orders, revenue is recognized to the extent of costs incurred or, if lower, to the extent to which recovery is probable. Therefore, to the extent that actual costs recovered are different from expected cost recoveries, significant swings in revenue and profitability can occur from one reporting period to another.

## Distinct Infrastructure Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited)

---

### 2. Basis of preparation *(continue from previous page)*

Given the above-noted critical accounting estimates associated with the accounting for services, including change orders, it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year or later could be different from the estimates and assumptions adopted and could require a material adjustment to revenue and/or the carrying amount of the asset or liability affected. The Company is unable to quantify the potential impact to the consolidated financial results from a change in estimate in calculating revenue.

#### Depreciation of property and equipment

Includes estimates of gross carrying amounts of assets, useful lives of assets and depreciation methods used.

#### Provision for doubtful accounts

The provision for doubtful accounts is reviewed by management on a monthly basis. Accounts receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. Management considers accounts to be past due when they are outstanding for greater than 180 days. Management makes these assessments after taking into consideration the customer's payment history, their credit worthiness and the current economic environment in which the customer operates to assess impairment. The Company's historical bad debt expenses have not been significant and are usually limited to specific customer circumstances. However, given the cyclical nature of the infrastructure construction industry along with the current economic operating environment, a customer's ability to fulfill its payment obligations can change suddenly and without notice.

#### Purchase price allocations

The acquired assets and assumed liabilities are recognized at fair value on the date the Company effectively obtains control. The measurement of each business combination is based on the information available on the acquisition date. The estimate of fair value of the acquired intangible assets (including goodwill), property and equipment, other assets and the liabilities assumed are based on assumptions. The measurement is largely based on projected cash flows, discount rates and market conditions at the date of acquisition.

#### Goodwill

The recoverable amount of goodwill has been estimated based on the value in use using the forecasts prepared by management for the next five years. The key assumptions for the estimate are those regarding revenue growth, gross margin, discount rate and the level of working capital required to support the business. These estimates are based on past experience and management's expectations of future changes in the market and forecasted growth initiatives.

Unanticipated changes in these assumptions or estimates could materially affect the determination of the recoverable amount of a CGU and, therefore, could reduce or eliminate the excess of recoverable amount over the carrying value of a CGU entirely and could potentially result in an impairment charge in the future.

### 3. New standards, amendments and interpretations

#### *New standards, amendments and interpretations adopted by the Company:*

##### IFRS 9 - Financial Instruments ["IFRS 9"]

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39 - Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory. The Company adopted IFRS 9 on January 1, 2018. The adoption of IFRS 9 did not have a material impact on the Company's condensed interim consolidated financial statements and related disclosures. With respect to classification and measurement, the Company has applied the exemption not to restate comparative information for prior periods.

## Distinct Infrastructure Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited)

---

### 3. New standards, amendments and interpretations *(continue from previous page)*

IFRS 15 - Revenue from Contracts with Customers ["IFRS 15"]

IFRS 15 supersedes IAS 18 - Revenue and IAS 11 - Construction Contracts and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company adopted IFRS 15 using the modified retrospective method of adoption on January 1, 2018. The effect of adopting IFRS 15 did not have any impact on the Company's consolidated financial statements.

The Company primarily generates revenues from design, construction and maintenance services (collectively "services") predominantly in the telecommunications sector. Under IFRS 15, The Company concluded that revenue from services will continue to be recognized over time under the input method similar to the previous accounting policy because the customer simultaneously receives and consumes the benefits provided by the Company. The Company has elected to apply the practical expedient of expensing all contract costs incurred that would otherwise be amortized over twelve months or less. Therefore, the adoption of IFRS 15 did not have an impact on the timing or the amount of the revenue recognition from services.

IFRS 15 uses the term 'contract asset' and 'contract liability' to describe what the Company previously referred to as 'Unbilled revenue' and 'Deferred revenue'.

#### Disclosure requirements

As required for the condensed interim financial statements, the Company disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Company has determined that revenue by geography best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to note 17 for the disclosure on disaggregated revenue by geography.

#### *New standards, amendments and interpretations not yet adopted by the Company:*

IFRS 16 - Leases ["IFRS 16"]

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company is in the process of evaluating the impact of IFRS 16 on the Company's financial statements.

IFRIC 23 - Uncertainty over Income Tax Treatment ["IFRIC 23"]

In June 2017, the IASB issued IFRIC 23, which clarifies the accounting for uncertainties in income taxes. IFRIC 23 is effective for annual period beginning on or after January 1, 2019. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which the Company first applies them, without adjusting comparative information. Full

## Distinct Infrastructure Group Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited)

#### 3. New standards, amendments and interpretations *(continue from previous page)*

retrospective application is permitted, if the Company can do so without using hindsight. The Company is in the process of evaluating the impact of IFRIC 23 on the Company's financial statements.

#### 4. Restatement

In preparing the December 31, 2017 consolidated financial statements, management determined that a restatement was necessary to the June 30, 2017 condensed interim consolidated financial statements, in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" ("IAS 8"), as a result of the following the Company included certain project scope and consumable amounts in the determination of revenue which were not recoverable. The restatement of the Company's June 30, 2017 condensed interim consolidated financial statements resulted in a \$6,090,928 decrease to revenue and contract asset. There was no change to the Company's cash flows from operating activities.

The condensed interim consolidated statement of comprehensive loss for the three months ended June 30, 2017 has been restated as following:

	<b>Previously Reported</b> \$	<b>Adjustment</b> \$	<b>Restated</b> \$
Revenue	20,250,043	(6,090,928)	14,159,115
Earnings (loss) from operations	1,709,610	(6,090,928)	(4,381,318)
Income (loss) before taxes	(853,806)	(6,090,928)	(6,944,734)
Net and comprehensive income (loss)	<b>(853,806)</b>	<b>(6,090,928)</b>	<b>(6,944,734)</b>
Earnings (loss) per share	(0.02)	(0.17)	(0.20)

#### 5. Business combinations

##### Acquisition of Crown Utilities Ltd.

On November 21, 2017, the Company acquired all of the issued and outstanding shares of Crown Utilities Ltd. ("Crown"), a utilities service company, for a purchase price of \$13,000,000 in cash and the issuance of 2,962,963 common shares in the capital of the Company at a deemed value of \$1.35 per share for a total purchase price of \$17,000,000.

As additional consideration, the Company was required to deliver to the purchaser any amount of working capital acquired in excess of \$2,500,000 based on the closing date statement of financial position. The amount is due within 30 days of receipt of the final closing statement of financial position, due 120 days after closing. The total working capital acquired was \$7,423,872, resulting in an amount owing of \$4,923,872. On November 21, 2017, \$1,700,000 of the amount owing was paid in accordance with the agreement with the remainder included in accounts payable and accrued liabilities on the statement of financial position.

**Distinct Infrastructure Group Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited)

**6. Trade and other receivables and contract asset****a) Trade and other receivables**

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Trade receivables	\$30,271,243	\$15,057,608
Holdbacks receivable	1,454,452	1,401,889
Other receivables	14,288	67,587
	<u>\$31,739,983</u>	<u>\$16,527,084</u>
Less: long-term holdbacks receivable	-	247,413
Current accounts receivable	<u><b>\$31,739,983</b></u>	<u><b>\$16,279,671</b></u>

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
< 31 days	\$14,734,022	\$7,678,854
31-60 days	1,175,300	2,979,840
61-90 days	699,818	1,958,160
>90 days	13,662,102	2,440,754
	<u><b>\$30,271,243</b></u>	<u><b>\$15,057,608</b></u>

**b) Contract asset**

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Contract revenue in progress to date	\$57,070,112	\$65,744,069
Less: amounts invoiced to date	21,159,548	19,004,616
	<u><b>\$35,910,564</b></u>	<u><b>\$46,739,453</b></u>

The aging analysis of unbilled revenue is as follows

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
< 1 year	\$22,804,160	\$40,646,446
> 1 year	13,106,404	6,093,007
	<u><b>\$35,910,564</b></u>	<u><b>\$46,739,453</b></u>

## Distinct Infrastructure Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited)

### 7 (a). Property and equipment

	Office, Computer and Equipment	Machinery, Vehicles and Equipment	Construction Equipment under Finance lease	Total
<b>2018</b>				
<b>Cost</b>				
Balance December 31, 2017	1,178,634	15,994,866	16,414,464	33,587,964
Additions	34,970	172,499	1,849,960	2,057,429
Acquisitions (note 4ii)	0	0	0	0
Disposals	(15,380)	(1,174,500)	0	(1,189,880)
Balance June 30, 2018	1,198,224	14,992,865	18,264,424	34,455,513
<b>Accumulated Depreciation</b>				
Balance December 31, 2017	525,531	1,448,541	7,636,183	9,610,255
Change for the year	70,002	1,386,137	967,858	2,423,997
Disposals	(1,625)	(88,415)	0	(90,040)
Balance June 30, 2018	593,908	2,746,263	8,604,041	11,944,212
<b>Net book value</b>				
<b>December 31, 2017</b>	653,103	14,546,325	8,778,281	23,977,709
<b>June 30, 2018</b>	604,316	12,246,602	9,660,383	22,511,301

### 7 (b) Intangibles

	Backlog, Non-compete and Customer relationships
<b>Cost</b>	
Balance December 31, 2017	\$ 504,908
Additions	-
<b>Balance June 30, 2018</b>	\$ 504,908
<b>Amortization</b>	
Balance December 31, 2017	\$ -
Additions	\$ 84,151
<b>Balance June 30, 2018</b>	\$ 84,151
<b>Net book value</b>	
<b>December 31, 2017</b>	\$ 504,908
<b>June 30, 2018</b>	\$ 420,757

### 8. Goodwill

	June 30, 2018	December 31, 2017
Balance, beginning of year	\$2,795,212	\$5,109,214
Acquisition	-	2,795,212
Impairment	-	(5,109,214)
<b>Balance, end of year</b>	<b>\$2,795,212</b>	<b>\$2,795,212</b>

## Distinct Infrastructure Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited)

### 9. Credit facilities

#### Alberta Treasury Branch ("ATB")

Demand operating loan with a borrowing base equal to the lesser of 75% of earned accounts receivable less amounts over 90 days or \$500,000. Interest is payable at prime plus 2% and is secured by \$500,000 personal guarantees and postponement of claim by two shareholders, and a general security agreement providing first charge and security interest in all present and after-acquired property and equipment. The operating loan is not subject to financial covenants. In May 2017, the Company cancelled the facility. No amounts were outstanding as at June 30, 2018 (December 31, 2017 - \$nil).

### 10. Debentures and other debt

#### *Debentures*

	\$
<b>Balance as at December 31, 2017</b>	<b>936,800</b>
Accretion for the six months ended June 30, 2018	28,036
<b>Balance as at June 30, 2018</b>	<b>964,836</b>

The Company assumed unsecured convertible debentures (the "Debentures") with a principal balance of \$979,000 as part of the Transaction. Semi-annual interest payments on June 30 and December 31 are calculated at 8% per annum.

The Debentures mature on October 20, 2018. Debenture holders may exercise the right to convert at an exercise price of \$2.50 per common share. The debentures are subject to forced conversion, at the option of the Company, if the common shares trade at or above \$3.00 per share for a period of 20 non-consecutive trading days.

#### *Other debt*

As part of the Transaction, the Company assumed various loans with two Canadian financial institutions bearing fixed interest at rates ranging from 0% to 5.99% per annum, monthly payments ranging from \$483 to \$1,086, including interest and maturity dates ranging from November 2016 to February 2019. These loans are secured by automobiles having a carrying value of \$49,334 (December 31, 2017 - \$49,334). The principal balance outstanding at June 30, 2018 is \$26,358 (December 31, 2017 - \$43,556).

As part of the Mega acquisition (note 5), the Company provided a note of \$501,467, bearing interest at 3% compounded monthly, unsecured and payable upon maturity, which was due on July 10, 2017. As at June 30, 2018 and December 31, 2017, the Company had not settled the note due to a legal proceeding (note 13).

### 11. Long-term debt and revolving loan

	<b>Term Loan</b>	<b>Revolving Loan</b>
<b>Balance as at December 31, 2016</b>	<b>\$18,877,433</b>	\$-
Accretion	105,072	-
Loss on extinguishment of long-term debt	1,017,496	-
Repayment of long-term debt	(20,000,000)	-
Issuance of term loan	12,000,000	23,000,000
Amended term loan increase	8,000,000	5,270,000
Repayment of revolving loan	-	(456,000)
Unamortized fees	(128,365)	(175,592)
<b>Balance as at December 31, 2017</b>	<b>\$19,871,636</b>	<b>\$27,638,408</b>
Loss on extinguishment of long-term debt	14,532	18,165
Proceeds from revolving loan	-	5,233,189
<b>Balance as at June 30, 2018</b>	<b>\$19,886,168</b>	<b>\$32,889,762</b>

## Distinct Infrastructure Group Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited)

---

#### 11. Long-term debt and revolving loan *(continue from previous page)*

In November 2015, the Company entered into a credit agreement with Crown Capital Fund IV, LP ("Crown Capital") for a \$20,000,000 term loan ("Debt"). The loan carried an interest rate of 10% per annum and matured on November 25, 2020.

Under the terms of the Debt, The Company paid a share fee through the issuance of 800,000 common shares to Crown Capital at a price of \$0.85 per share and paid a cash fee of \$400,000. These amounts were being accreted over the life of the Debt. On May 26, 2017, the Company closed a debt facility with RBC representing a total lending amount of up to \$35,000,000 consisting of a \$23,000,000 Revolving Loan and a \$12,000,000 Senior Secured Term Loan Facility (the "Term Loan").

Also on May 26, 2017 the Company exercised its option to prepay the \$20,000,000 Debt and incurred certain fees and non-cash expenses associated with the settlement transaction, including a \$600,000 early repayment fee to Crown Capital. The expenses are included in the consolidated statements of comprehensive loss. The repayment of the Crown Capital Debt was funded using a portion of the RBC Revolving Loan.

On November 21, 2017 the Company finalized an amended and expanded senior credit facility. The expanded facility consisted of a \$30,000,000 Revolving Loan and a \$20,000,000 Term Loan for a total available credit of \$50,000,000. The facility is available to pay for the cash component of the Crown acquisition, repay the existing Credit Facilities and Crown Capital Debt, and for working capital purposes as well as for furthering future growth of the Company.

The Revolving Loan has a three year term. The Revolving Loan is subject to a standby fee of 15% of the applicable Bankers' Acceptance margin. The Term Loan has a five year term with quarterly principal repayments of \$714,200 beginning on December 31, 2018 and the remainder payable at loan maturity. As at June 30, 2018, \$714,200 is payable in the next year (December 31, 2017 - \$714,200).

The Revolving Loan and Term Loan are repayable in part or in whole prior to maturity at the discretion of the Company and is not subject to repayment fees. The Revolving Loan and Term Loan is secured by a first ranking general security agreement on all assets of the Company.

The amount outstanding on the Revolving Loan is not to exceed the lesser of the principal outstanding and the Borrowing Base. Borrowing Base is defined as (i) 75% of good accounts receivables plus (ii) 85% of good designated receivables plus (iii) lesser of 35% of unbilled revenue and \$6,000,000.

The Term Loan and Revolving Loan are available to borrower in LIBOR loans, floating rate loans (prime rate or US base rate), or standby instruments which bear interest at applicable prime or base rates, plus a margin based on the Company's leverage ratio ranging from < 3.00:1 to ≥ 4.00:1.

Financial covenants in connection with the RBC Revolving Loan and Term Loan include:

- (i) Leverage ratio required to be less than 4.50:1 at each quarter to September 30, 2018, stepping down to 4.00:1 to September 30, 2019, and to 3.50:1 starting December 31, 2019 onward.
- (ii) Debt service coverage required to be greater than 1.10:1 at each quarter to September 30, 2018, stepping up to 1.25:1 starting December 31, 2018 onward.

As at December 31, 2017, the Company was not in compliance with either the Borrowing Base or the financial covenants. As a result, the entire amount of the Term Loan and Revolving Loan are included in current liabilities on the consolidated statements of financial position. As a result of the restatement (note 4), the Company was not in compliance with the covenants under the Crown Capital Debt.

As at June 30, 2018 the Company was in compliance with the Borrowing Base, but, not with the financial covenants. On June 25, 2018 the Company received a waiver from RBC providing relief of the leverage covenant until August 31, 2018. As a result of the restatement (Note 4), the Company was not in compliance with the covenants under the Crown Capital Debt.

## Distinct Infrastructure Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited)

### 12. Share capital

The authorized share capital of the Company consists of an unlimited number of voting common shares and an unlimited number of preferred shares, issuable in series.

On February 9, 2017, 115,297 broker warrants were exercised at a price of \$1.00 for total proceeds of \$115,297. Each warrant consists of one common share and one-half common share purchase warrant. Each whole common share purchase warrant has an exercise price of \$2.00 per share and expires within 36 months of issuance.

On May 5, 2017, 6,000 broker warrants were exercised at a price of \$1.00 for total proceeds to the Company of \$6,000. Each warrant consists of one common share and one-half common share purchase warrant. Each whole common share purchase warrant has an exercise price of \$2.00 per share and expires within 36 months of issuance.

On September 11, 2017, the Company issued 90,000 common shares as compensation for certain services rendered to the Company in the amount of \$125,000. The shares were issued at a trading price of \$1.38 per share.

On November 21, 2017, the Company issued 7,614,000 common shares to a private placement. The shares were issued at a price of \$1.35 per share. The common shares are subject to a hold period where all common shares are released for trade on March 21, 2018. Also on the same date 2,962,963 common shares were issued as part of the acquisition price for Crown. The shares were issued at a price of \$1.35 per share. The common shares are subject to a hold period where 1,481,481 are released for trade on March 22, 2018 and 1,481,482 are released for trade on December 31, 2018.

On April 18, 2018, 41,217 broker options were exercised at a price of \$1.00 for total proceeds to the Company of \$41,217.

### 13. Share-based compensation and common share purchase warrants

#### a) Share options

The Company has adopted a stock option plan in accordance with the policies of the Exchange for the benefit of its directors, officers, employees and other key personnel. A maximum of 10% of the issued and outstanding common shares of the Company are reserved for issuance pursuant to the stock option plan. The stock option plan provides that the terms of the options and the option price shall be fixed by the directors subject to the price restrictions and other requirements imposed by the Exchange.

The following tables provide a summary of the Company's stock option plan as at June 30, 2018

	Number of share options	Weighted average exercise price \$
<b>Balance, December 31, 2015</b>	<b>825,000</b>	<b>1.93</b>
Options granted on acquisition (Note 4(i))	35,000	2
Options granted as compensation	200,000	1.48
Options granted as compensation	200,000	1.5
Options forfeited	(125,000)	2
<b>Balance, December 31, 2016</b>	<b>1,135,000</b>	<b>1.77</b>
Options granted as compensation	500,000	1.48
Options forfeited	(185,000)	1.7
<b>Balance, December 31, 2017</b>	<b>1,450,000</b>	<b>1.68</b>
Options expired	(235,000)	1.64
<b>Balance, June 30, 2018</b>	<b>1,215,000</b>	<b>1.52</b>

**Distinct Infrastructure Group Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited)

**13. Share-based compensation and common share purchase warrants** *(continued from previous page)*

Exercise price \$	Outstanding		Exercisable		
	Number of options	Weighted average remaining contractual life (years)	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price \$
2.00	515,000	2.26	515,000	2.26	2.00
1.50	200,000	0.17	200,000	0.17	1.50
1.48	500,000	2.45	166,667	2.45	1.48
<b>Total</b>	<b>1,215,000</b>	<b>1.99</b>	<b>881,667</b>	<b>1.82</b>	<b>1.79</b>

## b) Common share purchase warrants

The following tables provide a summary of the Company's common share purchase warrants outstanding as at June 30, 2018:

	Number of warrants	Weighted average exercise price \$
<b>Balance, December 31, 2015</b>	<b>3,822,786</b>	<b>2.13</b>
Exercised broker warrants	(250,000)	1.00
Warrants issued on warrant exercised	125,000	2.00
Expired warrants	(315,079)	5.00
<b>Balance, December 31, 2016</b>	<b>3,382,707</b>	<b>1.94</b>
Exercised broker warrants	(121,297)	2.00
Warrants issued on warrant exercised	60,648	1.00
<b>Balance, December 31, 2017</b>	<b>3,322,058</b>	<b>1.97</b>
Exercised broker warrants	(41,217)	1.00
Expired warrants	(3,280,841)	1.67
<b>Balance, June 30, 2018</b>	<b>-</b>	<b>-</b>

## Distinct Infrastructure Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited)

### 14. Basic and diluted (loss) earnings per share

Details of the calculation of earnings per share are set out below:

	For the three months ended		For the six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Net and comprehensive loss	(\$1,138,983)	(\$6,944,734)	(\$2,209,778)	(\$10,593,240)
Average number of common shares outstanding	46,116,996	35,414,360	46,100,280	35,387,488
Effect of dilutive securities: <sup>(1)</sup>				
Options and warrants	-	-	-	-
Weighted average number of diluted common shares outstanding	46,116,996	35,414,360	46,100,280	35,387,488
Basic loss per share	(\$0.02)	(\$0.20)	(\$0.05)	(\$0.30)
Diluted loss per share <sup>(1)</sup>	(\$0.02)	(\$0.20)	(\$0.05)	(\$0.30)

<sup>(1)</sup> When the impact of dilutive securities increases the earnings per share or decreases the loss per share, they are excluded for purposes of the calculation of diluted earnings (loss) per share.

### 15. Related party transactions

#### Due from related party

ABL Professional Management Services Inc. (“ABL”) provides engineering services to the Company. Transactions between the parties are incurred in the normal course of business. During the period, the Company has recorded net transactions of \$193,304 (June 30, 2017 - \$27,654). As at June 30, 2018, \$1,435,418 (June 30, 2017 - \$1,438,316) remains receivable and is due on demand. The shareholders of ABL have provided personal guarantees up to \$2,000,000 and ABL will repay amounts outstanding on or before June 2018. As at June 30, 2018, the maturity date of the ABL loan was amended from June 30, 2018 to December 31, 2019. There will be no additional advances to related parties in the normal course of business.

#### Compensation of key management personnel

Key management consists of the Co-Chief Executive Officers, Vice President of Finance, Vice President of Operations, Vice President of Corporate and Legal Affairs, Vice President of Corporate Development and Chief Financial Officer.

The Company pays its Co-Chief Executive Officers by way of a management services agreement(s) with companies controlled by these individuals. Payments totalling \$365,000 was paid for the six months ending June 30, 2018 (June 30, 2017 – \$367,000) to these respective companies.

The Company pays its other key management personnel by way of management services agreement(s) with companies controlled by these individuals. Payments totalling \$486,853 was paid for the six months ending June 30, 2018 (June 30, 2017 - \$559,394).

## Distinct Infrastructure Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited)

### 16. Finance expense

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Accretion	\$14,018	\$43,542	\$28,036	\$130,080
Interest on finance leases	86,457	98,113	174,653	240,085
Interest on credit facilities	196,935	228,284	445,974	342,707
Interest on debentures and other debt	19,419	19,580	38,838	19,580
Interest on long-term debt	578,993	312,491	829,369	907,012
Other	89,649	1,861,406	182,682	1,933,309
	<b>\$985,471</b>	<b>\$2,563,416</b>	<b>\$1,699,552</b>	<b>\$3,572,773</b>

### 17. Direct costs

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
<b>Direct Costs</b>				
Salaries and Wages	\$10,019,460	\$8,568,832	\$19,429,408	\$15,503,843
Operating Leases - vehicles and equipment	3,414,460	3,370,064	6,957,630	6,242,874
Sub-contractors and external services	1,339,767	1,515,042	3,338,034	2,638,723
Materials	802,444	1,360,380	2,184,348	2,116,620
Others	473,671	-	1,517,204	31,055
	<b>\$16,049,802</b>	<b>\$14,814,318</b>	<b>\$33,426,624</b>	<b>\$26,533,114</b>

### 18. Selling, general and administrative

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Salaries and wages	\$1,228,253	\$851,345	\$2,348,240	\$1,720,420
Rent and office	412,351	223,725	807,149	488,528
Professional fees	698,857	1,220,904	1,502,442	2,193,882
Others	1,009,100	773,122	1,676,914	1,427,624
	<b>\$3,348,561</b>	<b>\$3,069,097</b>	<b>\$6,334,745</b>	<b>\$5,830,453</b>

### 19. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

#### (a) Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates. The fair value of long-term debt and debentures approximates its carrying value as the interest rate attached to those instruments approximates a market rate of interest and interest rates have not changed materially during

## Distinct Infrastructure Group Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited)

### 19. Financial instruments (continued from previous page)

the year. The fair value of other debt approximates its carrying value due to the low principal balance and rates approximating market rates of interest for similar instruments.

#### (b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

- Interest rate risk

The Company is exposed to interest rate risk due to the variable rate interest on its credit facilities. Changes in the lending rates may cause fluctuations in cash flows and interest expense. A 1% change in interest rates would impact earnings by approximately \$527,000 (December 2017 – \$348,000).

- Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company enters into transactions to sell services to customers for which the related revenues, expense, accounts receivable and accounts payable balances are subject to exchange rate fluctuations. As at June 30, 2018 the following balances are the Canadian equivalent of items denominated in US currency:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Accounts receivable	\$12,378	\$74,244
Due to related party	(689,411)	(712,397)
	<u><b>(\$677,033)</b></u>	<u><b>(\$638,153)</b></u>

- Price risk

Price risk is the risk that the commodity prices that the Company charges are significantly influenced by its competitors and the commodity prices that the Company must charge to meet its competitors may not be sufficient to meet its expenses. The Company reduces its exposure to price risk by ensuring that it obtains information regarding the commodity prices that are set by the competitors in the region to ensure that its prices are appropriate. In addition, management closely monitors expenses and matches capital outlays to its revenue stream. In the opinion of management, the price risk exposure to the Company is low and is not material.

#### (c) Credit risk

Credit risk is the risk of financial loss if a client fails to meet its contractual obligations, and arises primarily from the Company's accounts receivable and unbilled revenue. The carrying amount of accounts receivables and unbilled revenue totaling \$67,650,547 (2017 - \$63,266,537) represents the maximum credit exposure ("total outstanding receivables"). A significant portion of the total outstanding receivables are from the tele-communications industry and as such, the Company is exposed to all the risks associated with that industry. However, the majority of these amounts are from well-established, Canadian companies, whose creditworthiness is of the highest level, thereby reducing the risk of material payment default.

The Company has an established credit policy under which each new client is analyzed individually for creditworthiness.

The review includes external ratings where available, credit reference checks and, in some cases, bank references. Creditworthiness of existing clients is monitored on an ongoing basis, along with monitoring the amount and age of balances outstanding.

The Company does have concentration risk. Concentration risk is the risk that a customer has more than ten percent of the total outstanding receivables and unbilled revenue balance and thus there is a higher risk to the business in the event of a default by one of these customers. Concentrations of credit risk relates to groups of counterparties that have similar economic

## Distinct Infrastructure Group Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited)

#### 19. Financial instruments (continued from previous page)

or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. At June 30, 2018, receivables from 1 customer (December 2017 – 1 customer) comprised approximately 66% (December 2017 – 76%) of the total outstanding receivables.

The Company reduces this risk by regularly assessing the credit risk associated with these accounts and closely monitoring any overdue balances.

During the period ended June 30, 2018, 71% of revenues were generated from 3 customers (2 customers in December 2017 – 76%), each with greater than 10% of total revenues. During the period ended June 30, 2018 customers 1 and 2 represented 38% and 20% of revenue respectively. During the year ended December 31, 2017 customers 1, 2 represented 63% and 13% respectively.

#### (d) Liquidity risk

The Company does have a liquidity risk with accounts payable and accrued liabilities of \$13,280,901 (December 2017 - \$13,556,714) debentures and other debt of \$1,492,662 (December 2017 - \$1,481,823) and current portion of obligations under finance leases of \$2,662,727 (December 2017 - \$2,696,695). Liquidity risk is the risk that the Company cannot repay its obligations when they become due to its creditors. The Company reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate line of credit to repay trade creditors and repays long-term debt interest and principal as they become due. Undiscounted cash outflow of financial liabilities based on maturity date are as follows:

#### June 30, 2018

<b>Financial Liabilities</b>	<b>1 year</b>	<b>2 to 5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
Accounts payable and accrued liabilities	\$13,280,901	-	-	\$13,280,901
Debentures and other debt	1,492,662	-	-	1,492,662
Revolving loan	-	32,889,762	-	32,889,762
Long-term debt	-	19,886,168	-	19,886,168
Finance lease obligations	2,625,727	2,681,442	-	5,307,169
	<b>\$17,399,290</b>	<b>\$55,457,372</b>	<b>-</b>	<b>\$72,856,662</b>

#### December 31, 2017

<b>Financial Liabilities</b>	<b>1 year</b>	<b>2 to 5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
Accounts payable and accrued liabilities	\$13,556,714	-	-	\$13,556,714
Debentures and other debt	1,469,462	12,361	-	1,481,823
Revolving loan	27,638,408	-	-	27,638,408
Long-term debt	19,871,636	-	-	19,871,636
Finance lease obligations	2,696,695	2,752,478	-	5,449,173
	<b>\$65,232,915</b>	<b>\$2,764,839</b>	<b>-</b>	<b>\$67,997,754</b>

## Distinct Infrastructure Group Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited)

#### 20. Contingent liabilities

During the six months ended June 30, 2018, the legal proceeding against the Company for wrongful dismissal in which the plaintiffs were seeking \$418,000 was settled and resulted in the Company owing \$45,000 to the plaintiffs.

As at June 30, 2018 and December 31, 2017, there was a legal proceeding against the Company in the amount of approximately \$320,000 as a result of a motor vehicle accident. The insurance company has been notified and is handling the claim. Management believes that the likelihood that there will be an economic outflow as a result of the claim is remote and therefore no accruals were made for these amounts in the consolidated financial statements.

The Company brought a suit against the previous owner of Mega for misrepresentation, who then countersued the Company for not providing certain information and for lack of payment of the promissory note owed (note 10). Management believes the likely outflow to be the amount of the outstanding promissory note.

#### 21. Segmented information

The Corporation operates three reportable business segments. Each segment is a component of the Company for which separate discrete financial information is available for evaluation by the chief decision makers of the Company.

- West – Provides hydrovacating and electrical installations services primarily in the Alberta market.
- Central – Provides directional boring, hydrovac, ploughing and transmission lines regulates station services primarily in the Winnipeg and the greater Manitoba market.
- East – Provides contractor hydrovacating and tele-com cabling services primarily to the Ontario market.

The Company evaluates performance and allocates resources based on earnings before interest, taxes, depreciation, amortization and stock based compensation. Corporate costs are not allocated to the segments and are shown separately below.

#### Three months ended June 30, 2018

	West	Central	East	Corporate	Intercompany eliminations	Total
Revenue to external customers	(\$888,577)	(\$6,132,441)	(\$13,624,165)	(\$1,992)	-	(\$20,647,175)
Intercompany revenue	(\$229,255)	-	(\$1,137,225)	-	\$1,366,480	-
Depreciation	\$213,123	\$648,586	\$430,626	-	-	\$1,292,334
Income tax expense	-	\$110,000	-	-	-	\$110,000
Finance expense	\$13,595	\$8,308	\$128,349	\$835,219	-	\$985,471

#### Three months ended June 30, 2017 (Restated - see note 4)

	West	Central	East	Corporate	Intercompany eliminations	Total
Revenue to external customers	(\$1,391,235)	-	(\$12,760,962)	(\$6,922)	-	(\$14,159,118)
Intercompany revenue	(\$140,070)	-	(\$1,424,913)	-	\$1,564,983	-
Depreciation	\$170,443	-	\$486,576	-	-	\$657,019
Income tax expense	-	-	\$0	-	-	\$0
Finance expense	\$13,872	-	\$142,582	\$473,651	-	\$630,106

**Distinct Infrastructure Group Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited)

**21. Segmented information** (continue from previous page)**For the six months ending June 30,  
2018**

	West	Central	East	Corporate	Intercompany eliminations	Total
Total Assets	\$2,916,065	\$24,575,395	\$66,757,682	\$4,929,070	-	\$99,178,212
Total liabilities	(\$1,147,587)	(\$11,198,423)	(\$9,866,937)	(\$53,750,993)	-	(\$75,963,940)
Revenue to external customers	(\$1,991,877)	(\$11,245,254)	(\$28,724,934)	(\$7,224)	-	(\$41,969,289)
Intercompany revenue	(\$493,006)	-	(\$2,350,230)	-	\$2,843,236	-
Depreciation	\$342,811	\$1,328,851	\$836,487	-	-	\$2,508,149
Income tax expense	-	\$210,000	-	-	-	\$210,000
Finance expense	\$30,579	\$8,541	\$261,501	\$1,398,931	-	\$1,699,552

**For the six months ending June 30,  
2017 (Restated – see note 4)**

	West	Central	East	Corporate	Intercompany eliminations	Total
Total Assets	\$9,655,355	-	\$54,593,748	\$1,235,733	-	\$65,484,836
Total liabilities	(\$2,747,320)	-	(\$15,034,224)	(\$33,235,563)	-	(\$51,017,107)
Revenue to external customers	(\$2,524,997)	-	(\$24,115,296)	(\$18,256)	-	(\$26,658,548)
Intercompany revenue	(\$285,670)	-	(\$2,574,970)	-	\$2,860,640	-
Depreciation	\$355,849	-	\$959,596	-	-	\$1,315,445
Income tax expense	-	-	-	-	-	-
Finance expense	\$67,822	-	\$284,412	\$1,287,228	-	\$1,639,463

**21. Subsequent events**

On July 4, 2018, a former employee of Distinct Infrastructure Group West commenced litigation against the Company for wrongful dismissal. The employee is claiming damages in the aggregate amount of \$53,364.48. The Company is of the opinion that the litigation is frivolous and completely without merit.