



DISTINCT INFRASTRUCTURE GROUP INC.

MANAGEMENT

DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED JUNE 30, 2018

Dated August 27, 2018

Disclosure Regarding Forward-Looking Statements

This Management's Discussion and Analysis contains forward-looking statements that include risks and uncertainties that are disclosed under the section Quantitative and Qualitative Disclosures of Market Risk. Other factors that could affect actual results are uncertainties pertaining to government regulations, both domestic as well as foreign, and the changes within the capital markets.

MANAGEMENT DISCUSSION & ANALYSIS

FOR THE PERIOD ENDED JUNE 30, 2018

Notice to Reader

Management has compiled the unaudited condensed interim consolidated financial statements of Distinct Infrastructure Group Inc., (“DIG” or the “Company”) consisting of the Condensed Interim Consolidated Statements of Financial Position, the Condensed Interim Consolidated Statements of Comprehensive Loss, Condensed Interim Consolidated Statements of Changes in Equity, and Condensed Interim Consolidated Statements of Cash Flows for the period ended June 30, 2018. All amounts are stated in Canadian Dollars unless otherwise specified.

The following Management Discussion and Analysis (“MD&A”) of Distinct Infrastructure Group Inc.’s financial condition and results of operations, prepared as of June 30, 2018, should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the period ended June 30, 2018, which are incorporated by reference herein and form an integral part of this MD&A.

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 material 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 a material impact on the timing or the amount of the revenue recognition from services.

Our MD&A is intended to enable readers to gain an understanding of the Company’s current results and financial position. To do so, we provide information and analysis comparing the results of operations and financial position for the current period to those of the preceding year. We also provide analysis and commentary that we believe is required to assess the Company's future prospects. Accordingly, certain sections of this report contain forward-looking statements that are based on current plans and expectations. These forward-looking statements are affected by risks and uncertainties that are discussed in this document and that could have a material impact on future prospects. Readers are cautioned that actual results could vary.

Cautions Regarding Forward-Looking Statements

This MD&A contains certain forward-looking statements, which reflect management's expectations regarding the Company's results of operations, performance, growth, business prospects and opportunities.

Statements about the Company's future plans and intentions, results, levels of activity, performance, goals or achievements or other future events constitute forward-looking statements. Wherever possible, words such as "may," "will," "should," "could," "expect," "plan," "intend," "anticipate," "believe," "estimate," "predict," or "potential" or the negative or other variations of these words, or similar words or phrases, have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management as at the date hereof.

Forward-looking statements involve significant risk, uncertainties and assumptions. Many factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and readers should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A, and the Company assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including: general economic and market segment conditions, competitor activity, product capability and acceptance, international risk and currency exchange rates and technology changes. More detailed assessment of the risks that could cause actual results to materially differ than current expectations is contained in the "Quantitative and Qualitative Disclosures of Market Risk" section of this MD&A. Unless otherwise indicated, all references to "Dollar" or the use of the symbol "\$" are to the Canadian Dollar.

The preparation of the financial statements are in conformity with International Financial Reporting Standards ("IFRS") and requires management to make assumptions that affect the reported amounts of assets, liabilities and expenses in addition to the disclosure of contingent liabilities at the date of the financial statements and reporting amounts. The Company bases its estimates on historical experience, current trends and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ and will most likely differ from those estimates.

OVERVIEW OF DISTINCT INFRASTRUCTURE GROUP INC.

Who We Are

- DIG is a Canadian company founded in April 2007 and is a design, engineering, construction and maintenance Company. The Company is publicly traded on the TSX Venture Exchange ("TSXV") as of August 24, 2015 under the symbol "DUG".
- The Company's primary focus is the Ontario and Manitoba economic landscape for opportunities in utilities, including infrastructure and telecommunications. The Company is closing its operations in Alberta, for the balance of the fiscal year effective July 31, 2018. All levels of government have made significant multi-year financial commitments to maintain and improve existing infrastructure, while aggressively pursuing new infrastructure over the next 20 years.
- The Company's principal address and registered office of records is located at 77 Belfield Road, Toronto, Ontario, M9W 1G6, with operational offices in Toronto, Ontario, Winnipeg, Manitoba, and Edmonton, Alberta, although the Company is closing its Alberta based operation by July 31, 2018.

Our Story

- The Company has grown revenue and Adjusted EBITDA from \$8.7 million and \$900,000 in 2010, respectively, to \$85.6 million and \$8.4 million over the trailing twelve month period covering July 1, 2017 through to June 30, 2018.
- The Company is focused on growing its platform organically while maintaining an active and disciplined approach to executing strategic acquisitions when the opportunities arise

Capitalization

- Market capitalization of approximately \$43.8 million as at June 30, 2018 (June 30, 2017 \$49 million)
- Basic shares outstanding as at June 30, 2018 of 46.1 million (June 30, 2017 - 35.4 million)
- Fully diluted shares outstanding as at June 30, 2018 of 46.1 million (June 30, 2017 – 40.2 million)

Business Combinations

The Senior Management of the Company has 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 being 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. Western operations generated a net loss of \$1.5 million in the six month period ended June 30, 2018 versus a net loss of \$1.9 million for the six month period ended June 30, 2017.

The planned date of closure of the Alberta based operations is set for July 31, 2018 with the planned completion of all open jobs scheduled on or before the stated shutdown 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 30th, 2018.

Mission Statement

To be responsive to the current and future needs of our clients to deliver safe, turnkey utility, telecom and infrastructure solutions that positively impact the communities in which we live and work.

Vision

We are passionate about connecting the world to our clients.

Values

- A Safety Culture
- Client Centered
- Integrity
- Excellence
- Entrepreneurial Spirit
- Passion and Excitement
- Forward Focused

The Company is proud to have been recognized by the Utility Contractors Association of Ontario with the association's **2018 Safety Performance Award** for contractors with over 250,000 hours worked, with the actual achievement of 341,000 hours.

Non-GAAP Financial Measures

The MD&A presents certain non-GAAP/IFRS financial measures to assist readers in understanding the Company's performance. The Company has used the following terms that are not defined by non-GAAP/IFRS, but are used by management to evaluate the performance of Distinct and its business: EBITDA, Adjusted EBITDA, Adjusted Cash from Operations, Adjusted Net (Loss) Income and Adjusted EPS.

Non-GAAP/IFRS financial measures do not have standardized meaning prescribed by non-GAAP/IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Securities regulations require that non-GAAP/IFRS financial measures are clearly defined, qualified and reconciled to their most comparable non-GAAP/IFRS financial measures. Specific items may only be relevant in certain periods.

The intent of non-GAAP/IFRS financial measures is to provide additional useful information to investors and analysts; the measures do not have any standardized meaning under non-GAAP/IFRS. The measures should not, therefore, be considered in isolation or used in substitute for measures of performance prepared in accordance with non-GAAP/IFRS. Other issuers may calculate non-GAAP/IFRS financial measures differently.

"EBITDA" represents net income plus income tax provision, finance expenses, one-time expenses and Depreciation

"Adjusted EBITDA" represents EBITDA plus Share-Based Compensation

"Adjusted Net Income" represents Net Income plus one-time expenses.

"Adjusted EPS" represents Adjusted Net Income divided by the average number of common shares outstanding for each period and Adjusted Net Income divided by the weighted average number of diluted common shares outstanding.

"Adjusted cash from operations" represents cash flow from operations prior to working capital adjustments plus cash paid for acquisitions.

HIGHLIGHTS FOR THE THREE AND SIX MONTH PERIOD ENDING JUNE 30, 2018

Summary Income Statement:

For the three months ended June 30, 2018	June 30, 2018	June 30, 2017 Restated	Variance	Variance
	\$	\$	\$	%
Revenue	20,647,172	14,159,114	6,488,058	45.8%
Expenses				
Direct costs	16,049,794	14,814,317	(1,235,477)	(8.3%)
Selling, general and administrative	3,348,558	3,069,097	(279,461)	(9.1%)
Depreciation	1,292,331	657,019	(635,312)	(96.7%)
Total expenses	20,690,683	18,540,433	(2,150,250)	(11.6%)
Earnings from operations	(43,511)	(4,381,319)	4,337,808	99.0%
Other expenses				
Finance Expense	985,472	2,563,415	1,577,943	61.6%
Loss before taxes	(1,028,983)	(6,944,734)	5,915,751	85.2%
Income tax provision	110,000	-	(110,000)	(100.0%)
Net and comprehensive loss	(1,138,983)	(6,944,734)	5,805,751	83.6%
Loss per share:				
Basic and diluted	(0.02)	(0.20)		
Weighted average number of shares	46,116,996	35,516,877		

For the six month ended June 30 2018	June 30, 2018	June 30, 2017 Restated	Variance	Variance
	\$	\$	\$	%
Revenue	41,969,289	26,658,544	15,310,745	57.4%
Expenses				
Direct costs	33,426,626	26,533,114	(6,893,512)	(26.0%)
Selling, general and administrative	6,334,740	5,830,453	(504,287)	(8.6%)
Depreciation	2,508,149	1,315,445	(1,192,704)	(90.7%)
Total expenses	42,269,515	33,679,012	(8,590,503)	(25.5%)
Earnings from operations	(300,226)	(7,020,468)	6,720,242	95.7%
Other expenses				
Finance Expense	1,699,552	3,572,772	1,873,220	52.4%
Loss before taxes	(1,999,778)	(10,593,240)	8,593,462	81.1%
Income tax provision	210,000	-	(210,000)	(100.0%)
Net and comprehensive loss	(2,209,778)	(10,593,240)	8,383,462	79.0%
Loss per share:				
Basic and diluted	(0.05)	(0.30)		
Weighted average number of shares	46,100,280	35,387,488		

Reconciliation of Net (Loss) Income to EBITDA and Adjusted EBITDA:

Period ended	Three months June 30, 2018	Three months June 30, 2017 (Restated)	Six months June 30, 2018	Six months June 30, 2017 (Restated)
	\$	\$	\$	\$
Net and comprehensive loss	(1,138,983)	(6,944,734)	(2,209,778)	(10,593,240)
Add:				
Income tax provision	110,000	-	210,000	-
Finance expense	985,472	630,107	1,699,552	1,639,464
One-time finance expense	-	1,933,308	-	1,933,308
Depreciation	1,292,331	657,019	2,508,149	1,315,445
EBITDA	1,248,820	(3,724,300)	2,207,923	(5,705,023)
Add:				
Share-based compensation	31,845	13,282	63,690	43,191
Adjusted EBITDA	1,280,665	(3,711,018)	2,271,613	(5,661,832)

Reconciliation of cash flow from operations to Adjusted Cash from Operations:

Period ended	Three months June 30, 2018	Three months June 30, 2017 (Restated)	Six months June 30, 2018	Six months June 30, 2017 (Restated)
	\$	\$	\$	\$
Cash flows used in operating activities	(3,483,148)	(6,251,743)	(5,929,868)	(8,173,921)
Changes in non-cash working capital items				
Accounts receivable	(2,403,213)	(935,184)	(15,212,899)	(17,003,824)
Inventory	(1,422,000)	-	(1,422,000)	(8)
Work in progress	(245,947)	(1,709,838)	10,828,889	14,323,340
Prepaid expenses and deposits	(37,312)	92,398	(358,747)	(190,662)
Accounts payable and accrued liabilities	633,513	1,962,473	(275,813)	2,697,642
Income taxes payable	-	(338,554)	(74,999)	186,317
Cash Flow from Operations prior to Changes in Non-Cash Working Capital Items	(8,190)	(5,323,038)	585,701	(8,186,726)

Reconciliation of Net (Loss) Income to Adjusted Net (Loss) Income and Adjusted EPS:

Period ended	Three months June 30, 2018	Three months June 30, 2017 (Restated)	Six months June 30, 2018	Six months June 30, 2017 (Restated)
	\$	\$	\$	\$
Net and comprehensive loss	(1,138,983)	(6,944,734)	(2,209,778)	(10,593,240)
Add:				
One-time finance expense	-	1,933,308	-	1,933,308
Adjusted net loss	(1,138,983)	(5,011,426)	(2,209,778)	(8,659,932)
Adjusted net loss EPS (Basic)	(0.02)	(0.20)	(0.05)	(0.30)

Quarterly Results

	Three Months ended June 30, 2018	Three Months ended March 31, 2018	Three Months ended December 31, 2017	Three Months ended September 30, 2017
				Restated
INCOME STATEMENT	\$	\$	\$	\$
Revenues	20,647,172	21,322,114	20,212,863	23,411,594
Expenses(1)	20,690,683	21,578,821	22,199,606	17,168,838
Net and comprehensive loss	(1,138,983)	(1,070,788)	(8,014,807)	5,426,437
Loss per share – basic	(0.02)	(0.02)	(0.23)	0.15

	Three Months ended June 30, 2017	Three Months ended March 31, 2017	Three Months ended December 31, 2016	Three Months ended September 30, 2016
	Restated	Restated	Restated	Restated
INCOME STATEMENT	\$	\$	\$	\$
Revenues	14,159,114	12,499,430	17,843,332	18,588,074
Expenses(1)	18,540,433	15,138,579	15,811,601	13,877,115
Net and comprehensive loss	(6,944,734)	(3,648,505)	935,598	3,701,810
Loss per share – basic	(0.20)	(0.10)	0.03	0.14

(1) Excludes finance expense, one-time costs and income tax provision

RESULTS OF OPERATIONS

Revenue

Revenues for the second quarter ending June 30, 2018 were \$20,647,172 as compared to restated revenues for the second quarter ending June 30, 2017 of \$14,159,114. The increase in revenue is due largely to the inclusion of Crown Utilities for the full quarter. Revenue for the core business remained stable.

The construction industry in Canada is seasonal in nature for companies like DIG INC., that perform a significant portion of their work outdoors, particularly road construction and utilities work. As a result, less work is performed in the winter and early spring months than in the summer and fall months. Accordingly, DIG INC., has historically experienced a seasonal pattern in its operating results, with the first half of the year, and particularly the first quarter, typically generating lower revenue and profit than the second half of the year. Therefore, results in any one quarter are not necessarily indicative of results in any other quarter, or for the year as a whole.

Gross Profit Margins

The Company considers gross profit to be revenue less direct costs. Direct costs are made up of materials, labour, and direct overheads. Gross profit for the second quarter ended June 30, 2018 increased to \$4,597,378 from (\$655,203) for the second quarter ended June 30, 2017, an increase of \$5,252,581. Gross profit margin for the second quarter ended June 30, 2018 was 22.3% an increased from (4.6%) for the second quarter ended June 30, 2017.

Net Loss

The Company reported a net loss for the second quarter ending June 30, 2018 of \$1,138,983 as compared to a net loss of \$6,944,734 for the second quarter ending June 30, 2017. The second quarter rebound compared to the second quarter June 2017 was a result of cost control measures taken as well as refinancing of the Company's debt from one year ago. The acquisition of Crown Utilities Ltd., contributed positively to the overall improvement of Net Income.

Expenses for the second quarter ending June 30, 2018 were \$20,690,683 as compared to \$18,540,433 for the second quarter ending June 30, 2017. This increase in expenses was due to costs associated with revenue volume growth, business development and depreciation, in addition to expenses from Crown Utilities Ltd., for the year to date period.

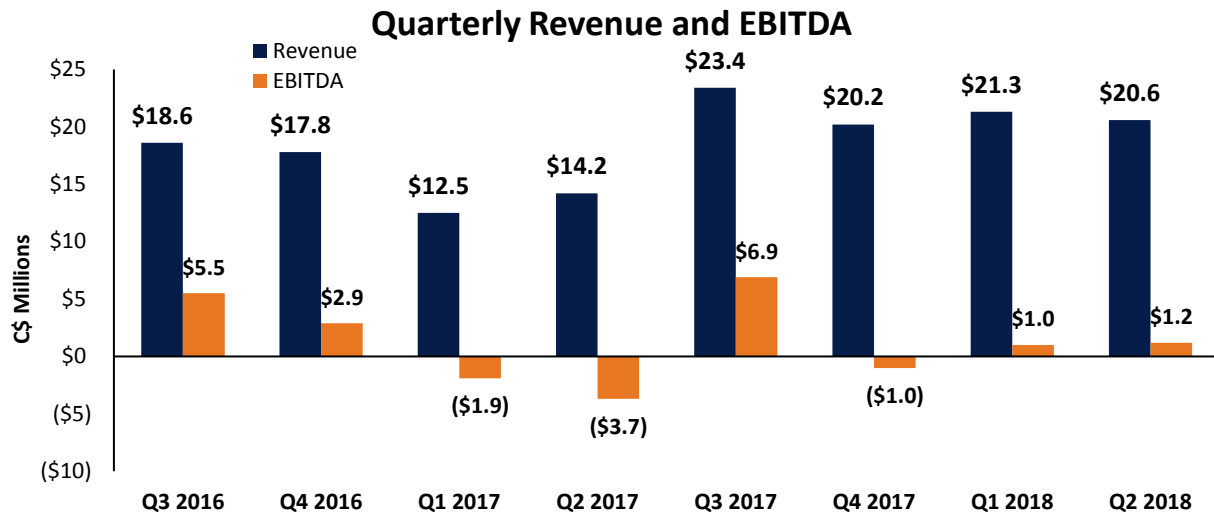
The Company has made the decision to close its Western operations and cease all operations by July 31, 2018. The impact on net income of Western operations for the six months ended June 30, 2018, is a loss of \$1,496,654, compared to a net loss of \$1,951,393 for the same six month period from a year ago.

Despite the Company's focused efforts and material resources invested since the acquisition of the entities comprising Western operations, it has been unsuccessful in its ability to mirror its success in Central and Eastern Canada, and hence has driven the decision to close the Edmonton office.

Selected Quarterly Financial Information

Period ended	Three months June 30, 2018	Three months June 30, 2017 (Restated)	Change	Change
	\$	\$	\$	%
INCOME STATEMENT				
Revenues	20,647,172	14,159,114	6,488,058	45.8%
Direct costs	16,049,794	14,814,317	1,235,477	8.3%
Gross profit	4,597,378	(655,203)	5,252,581	801.7%
Gross margin	22.3%	(4.6%)	80.9%	26.9%
EBITDA	1,248,820	(3,724,300)	4,973,120	133.5%
Adjusted EBITDA	1,280,665	(3,711,018)	4,991,683	134.5%
Net and comprehensive Loss	(1,138,983)	(6,944,734)	5,805,751	83.6%
Loss per share – basic	(0.02)	(0.20)	0.17	87.4%
Adjusted net loss	(1,138,983)	(5,011,426)	3,872,443	77.3%
Loss per share adjusted – basic	(0.02)	(0.14)	0.12	82.5%
STATEMENTS OF CASH FLOWS				
Cash from operations	(5,929,868)	(8,173,921)	2,244,048	27.5%
Adjusted cash from operations	(8,190)	(5,323,038)	5,314,848	99.8%
Net cash outflow	(876,991)	(3,957,710)	3,080,719	77.8%

Period ended	Six months June 30, 2018	Six months June 30, 2017 (Restated)	Change	Change
	\$	\$	\$	%
INCOME STATEMENT				
Revenues	41,969,289	26,658,544	15,310,745	57.4%
Direct costs	33,426,626	26,533,114	6,893,512	26.0%
Gross profit	8,542,663	125,430	8,417,233	6,710.7%
Gross margin	20.4%	0.5%	54.9%	19.9%
EBITDA	2,207,923	(5,705,023)	7,912,946	138.7%
Adjusted EBITDA	2,271,613	(5,661,832)	7,933,445	140.1%
Net and comprehensive loss	(2,209,778)	(10,593,240)	8,383,462	79.1%
Loss per share – basic	(0.05)	(0.30)	0.25	84.0%
Adjusted net loss	(2,209,778)	(8,659,932)	6,450,154	74.5%
Loss per share adjusted– basic	(0.05)	(0.24)	0.20	80.4%
BALANCE SHEET				
Total assets	99,178,212	65,484,836	33,693,376	51.5%
Working capital	54,198,255	33,635,904	20,562,351	38.0%
STATEMENTS OF CASH FLOWS				
Cash from operations	(5,929,868)	(8,173,921)	2,244,053	27.5%
Adjusted cash from operations	585,701	(8,186,726)	8,772,427	107.2%
Net cash outflow	(2,247,651)	(6,487,959)	4,240,308	65.4%



Operating Expenses

Operating costs consist of the following major expense sub categories: selling, general & administrative expenses, travel and promotion, legal and accounting, office and general expenses, rent and maintenance, salaries and related costs, interest on borrowed funds and amortization of equipment.

Particulars	Three months ending June 30, 2018	Three months ending June 30, 2017	Change	
	\$	\$	\$	%
Salaries and wages	1,470,103	1,627,112	(157,009)	(9.7%)
Communication expense	83,392	42,211	41,181	97.6%
Bank charges and other related costs	52,786	(602)	53,388	8868.4%
Advertising and promotion	229,211	198,446	30,765	15.5%
Professional fees	398,562	284,912	113,650	39.9%
Occupancy costs	206,001	145,158	60,843	41.9%
Insurance expense	243,469	69,574	173,895	249.9%
Office expense	206,350	78,567	127,783	162.6%
Information technology costs	49,929	184,177	(134,248)	(72.9%)
Travel expense	350,313	241,811	108,502	44.9%
Legal costs	58,445	197,730	(139,285)	(70.4%)
Depreciation and amortization	1,292,331	657,019	635,312	96.7%
Interest on capital leases	86,459	118,353	(31,894)	(27.0%)
Loan interest and other finance costs	899,013	511,755	387,258	75.7%
One-time finance expense	-	1,933,308	(1,933,308)	(100.0%)

Particulars	Six months ending June 30, 2018	Six months ending June 30, 2017	Change	
	\$	\$	\$	%
Salaries and wages	2,846,940	2,795,764	51,176	1.83%
Communication expense	196,586	82,266	114,320	138.96%
Bank charges and other related costs	70,579	33,557	37,022	110.33%
Advertising and promotion	375,487	399,843	(24,356)	(6.09%)
Professional fees	872,607	922,470	(49,863)	(5.41%)
Occupancy costs	434,092	309,150	124,942	40.41%
Insurance expense	423,368	142,158	281,210	197.82%
Office expense	373,057	179,377	193,680	107.97%
Information technology costs	88,369	368,924	(280,555)	(76.05%)
Travel expense	522,525	363,371	159,154	43.80%
Legal costs	131,135	233,573	(102,438)	(43.86%)
Depreciation and amortization	2,508,149	1,315,445	1,192,704	90.67%
Interest on capital leases	174,653	260,325	(85,672)	(32.91%)
Loan interest and other finance costs	1,524,899	1,379,139	145,760	10.57%
One-time finance expense	-	1,933,308	(1,933,308)	(100.00%)

Salaries and Wages

Salaries and wages are comprised of staffing costs associated with our operations center, control center, finance, human resources (“HR”), information technology (“IT”), customer service, and corporate and administrative personnel. Salaries and wages for the three month period ended June 30, 2018 was \$1,470,103 a decrease from \$1,627,112 and decrease of 9.65% or \$157,009. For the six months ended June 30, 2018 salaries and wages increased to \$2,846,940 from \$2,795,764 an increase of 1.83% or \$51,176.

The main factors in the decrease in salaries and wages in the second quarter are restructuring of the group operations to bring in line the Company’s objectives and expectations, as well as reduced operational support and administration in Western Canada, that was transferred to Corporate back-office, in Toronto, Ontario, due to streamlining, integration and available capacity in head office.

As of June 30, 2018, the Company has continued to actively manage its head office personnel to ensure it has the required resources to execute on its strategy, which its senior management is comfortable it has.

Communication Expense

Communication expense for the three months ended June 30, 2018 increased to \$83,392 from \$42,211 for the three months ended June 30, 2017, an increase of 97.57% or \$41,181. Communication expense for the six months ended June 30, 2018 increased to \$196,586 from \$82,266 for the six months ended June 30, 2017, an increase of 138.96% or \$114,320. The increase is due to the acquisition of Crown Utilities Ltd. A companywide upgrade of communication hardware was implemented late in 2017 and has carried through to the second quarter of 2018 as a result of portable tablets introduced to field personnel to automate and facilitate time sheet processing from in-field to processing systems in order to achieve improved efficiency from crews in-field and workflow processing cycles. The project rollout is continuing in Eastern operations in the six months ended June 30, 2018, and will be extended to Central operations in late September 2018.

Bank Charges and Other Related Costs

Bank charges and other related costs for the three months ended June 30, 2018 were \$52,786 an increase from \$602 for the three months ended June 30, 2017. Bank charges and other related costs for the six months ended June 30, 2018 were \$70,579 an increase from \$37,022 for the six months ended June 30, 2017. The increases are due to the setting up Crown Utilities Ltd., as well as account maintenance with the Company’s private lender and expanded overall electronic financial payment services and setup fees.

Advertising and Promotion

Advertising and promotion for the three months ended June 30, 2018 increased to \$229,211 from \$198,446 for the three months ended June 30, 2017, an increase of 15.50% or \$30,765.

Advertising and promotion for the six months ended June 30, 2018 decreased to \$375,487 from \$399,843 for the six months ended June 30, 2017, a decrease of 6.09% or \$24,356. The overall decrease was due to reduction of Western operations fleet branding expenditures and reduced discretionary corporate advertising and promotional activities, memberships and sponsorships.

Professional Fees

Professional fees for the three months ended June 30, 2018 increased to \$398,562 from \$284,912 an increase of 39.89% or \$113,650. The increase is the result of external agency recruiting and placement fees and increased external accounting firm charges compared to the prior period.

Professional fees for the six months ended June 30, 2018 decreased to \$872,607 from \$922,470 for the six months ended June 30, 2017, a decrease of 5.41% or \$49,863. The decrease is the result of lower investor relations and business development initiatives as compared to the prior year period.

Occupancy Costs

Occupancy costs for the three months ended June 30, 2018 increased to \$206,001 from \$145,158 for the same period ended June 30, 2017, an increase of 41.92% or \$60,843. Occupancy costs for the six months ended June 30, 2018 increased to \$434,092 from \$309,150 for the same period ended June 30, 2017, an increase of 40.41% or \$124,942. The increases are primarily driven by the additional facilities obtained with the Crown Utilities Ltd., acquisition which is not reflected in the first six months of the prior year.

Insurance Expense

Insurance expense for the three months ended June 30, 2018 increased to \$243,469 from \$69,574 for the three months ended June 30, 2017, an increase of 249.94% or \$173,895. Insurance expense for the six months ended June 30, 2018 increased to \$423,368 from \$142,158 for the six months ended June 30, 2017, an increase of 197.82% or \$281,210.

The increase quarter over quarter and year to date were due to insurance relating to vehicle additions and growth to the Company's core fleet of pick-ups, vans and cargo truck, tools and equipment and the acquisition of Crown Utilities Ltd., and material and expensive increased bonding coverage with its heavy concentration on municipal clients.

Office Expense

Office expenses for the three months ended June 30, 2018 increased by 162.64% or \$127,783 to \$206,350 from \$78,567 for the same three months period ended June 30, 2017. Office expenses for the six months ended June 30, 2018 increased by 107.97% or \$193,680 to \$373,197 from \$179,377 for the same six months period ended June 30, 2017.

Office expenses include repairs and maintenance, office supplies, employee rewards and recognition, professional development and share-based payments. The increases are mainly due to the increased locations, enhanced health and safety supplies and services.

Information Technology Costs

IT costs for the three months ended June 30, 2018 was \$49,929 compared to the three months ended June 30, 2017 of \$184,177 a decrease of 72.89%. IT costs for the six months ended June 30, 2018 was \$88,369 compared to the six months ended June 30, 2017 of \$368,924 a decrease of 76.05%. During 2017, the Company rolled out its strategic business initiatives within the IT department, investing in systems development and timekeeping automation. IT costs in the current six month period reflect the maintenance of systems in a modular incremental user add-on based on the prior year spend on system capacity build-out and integration that included strategic server capacity increases and disaster recovery and systems back-up.

Travel Expense

Travelling expense for the three months ended June 30, 2018 was \$350,313 when compared to same period in 2017 of \$241,811, an increase of 44.87%. Travelling expense for the six months ended June 30, 2018 was \$522,525 when compared to same period in 2017 of \$363,371, an increase of 43.80%. This increase for both periods was due to more frequent Corporate and Operational Management's travel to Western and Central operations. Corporate travel will continue at the historical levels, while operational travel will decrease due to the closure of Western operation in July 31, 2018.

Legal Costs

Legal costs for the three months ended June 30, 2018 decreased to \$58,445 from \$197,730 for the three months ended June 30, 2017, a decrease of 70.44% or \$139,285. Legal costs for the six months ended June 30, 2018 decreased to \$131,135 from \$233,573 for the six months ended June 30, 2017, a decrease of 43.86 % or \$102,438.

The decrease in legal costs is due to reduction in labour relations and other legal expenses and the one-time initiatives related to debt refinancing and acquisition related matters, which were handled with in-house corporate counsel versus out-sourcing.

Depreciation and Amortization

Depreciation of property and equipment for the three months ended June 30, 2018 increased to \$1,292,331 from \$657,019 for the three months ended June 30, 2017. Depreciation of property and equipment for the six months ended June 30, 2018 increased to \$2,508,149 from \$1,315,445 for the six months ended June 30, 2017. The increase for the quarter and year to date is mainly due to the increase in PP&E assets from the acquisition of Crown Utilities Ltd. Excluding the Crown Utilities Ltd., related

depreciation, capital expenditures for the six months ended June 30, 2018 was \$192,803, and is not expected to increase materially for the balance of the year.

Interest on Capital Leases

Interest on Capital Leases for the three months ended June 30, 2018 decreased to \$86,459 from \$118,353 an decrease of 26.95% or \$31,894. Interest on Capital Leases for the six months ended June 30, 2018 decreased to \$174,653 from \$260,325 a decrease of 32.91% or \$85,672. These decreases are mainly due to lease assets maturing in the periods and overall reduction in the debt due to the principal repayments versus the same period a year ago.

Loan Interest and Other Finance Costs

Loan interest for the three months ended June 30, 2018 increased to \$899,013 from \$511,755 for the three months ended June 30, 2017, an increase of 75.67% or \$387,258. Loan interest for the six months ended June 30, 2018 increased to \$1,524,899 from \$1,379,139 for the six months ended June 30, 2017, an increase of 10.57% or \$145,760. The main factor in the increase for the quarter and year to date are due to refinancing costs for working capital and increased use of the line of credit that has resulted in increased floating rate of 0.50% being charged on its variable debt.

One-time Finance Expense

One time finance expenses for the three and six months ended June 30, 2018 were \$nil, as compared to \$1,933,308 for the six month period ended June 30, 2017 which was related to the early termination and repayment of the Crown Capital LLP, subordinated debt. The subordinated debt was replaced by an increase in prime lender banking facility.

Liquidity and Capital Resources

Current Assets

Current assets, which includes cash, AR, WIP, inventory, prepaid expenses and deposits, due from shareholders, and due from related party increased by \$4,164,519 to \$72,160,524 as at June 30, 2018, as compared to \$67,996,005 as at December 31, 2017. The increase is due primarily to increases in trade receivables offset by a reduction in work in progress. The increase in trade receivables is due to the emphasis and focus on completion of projects on both new and existing carry-over projects in order to facilitate and shorten its project life cycles and speed up its cash conversion cycles. This has included facilitating customer approvals which has aided in the carrying value of and reduction in work-in-progress.

Inventory has increased by \$1.2 million versus the same period a year ago, which reflects material purchases for major projects that will turn-over in the next three months and was a requirement for the specific client engagements in the Company's Central operations.

Non-Current Assets

Non-current assets, which includes property and equipment, goodwill, deposits and due from related party decreased by \$1,485,482 since December 31, 2017. The decrease is primarily due to the depreciation of its property, plant and equipment relative to small additions to capital expenditures in the current six month period, \$192,803, a material reduction based on current year's approved capital spend which was anticipated to be approximately \$1.5 million in the first six months. The Company does not foresee the initial capital expenditure spend, primarily on incremental business growth that can now be addressed with redeployment of assets from its Western location to Central and Eastern operations respectively.

Current Liabilities

Current liabilities, which includes accounts payable and accrued liabilities, debentures and other debt, finance lease obligations, income taxes payable and credit facilities, decreased by \$47,908,624 since December 31, 2017, due primarily to the reclassification of the revolving loan and long-term debt to long-term liabilities. Since the Company has secured a waiver on its covenants for the term debt prior to the reporting period of June 30, 2018, the revolving line-of-credit and long-term debt was re-classed to the long-term liability section accordingly. This was offset by approximately \$2.5 million increase in trade accounts payable and accrued liabilities.

Non-Current Liabilities

Non-current liabilities include debentures and other debt, long-term debt and finance leases obligations. Non-current liabilities increased by \$52,692,532 from December 31, 2017. The increase is due primarily to the reclassification of the revolving loan and long-term debt from current liabilities to long-term liabilities due to the waiver extension from its prime lender, and where the revolving loan is properly reflected given the renewable three-year term. The current year increase is also due to the \$2.4 million deferred income tax liability that reflects primarily timing differences in the fair market value recognition of the assets acquired from Crown Utilities Ltd.

Off-Balance Sheet Arrangements

As of the date of this MD&A, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

TRANSACTIONS WITH RELATED PARTIES

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 (December 31, 2017 - \$343,042). As at June 30, 2018, \$1,435,418 (December 31, 2017 - \$1,122,928) remains receivable and is due on demand. As at June 30, 2018, the maturity date of the ABL loan was amended from June 30, 2018 to December 31, 2019. The shareholders of ABL have provided personal guarantees up to \$2,000,000 and ABL will repay amounts outstanding on or before June 2018. There will be no additional advances to related parties in the normal course of business.

Due from Shareholders

As at June 30, 2018, the Company had \$nil due from shareholders compared to \$95,631 as at June 30, 2017. As at December 31, 2017 the amount was \$nil. The shareholders repaid the full amount owing in December 2017.

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 added a Vice President of Human Resources to the senior management team during the quarter.

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). The decrease is primarily related to the conversion of a senior executive compensation to a full-time employment agreement from a consulting arrangement.

Critical Accounting Estimates

The Company's financial statements are impacted by the accounting policies used, and the estimates and assumptions made, by management during their preparation. The Company's accounting policies are described within the financial statements. The accounting estimates considered to be significant to the Company include the computations of impairment of property and equipment, revenue and work in

process, depreciation of property and equipment, provision for doubtful accounts, purchase price allocations and goodwill.

Changes in Accounting Policies

The Company made no significant changes to its accounting policies in 2017.

The Company is in the process of compliance adherence for adaptation of IFRS 15 effective January 1, 2019.

Financial Instruments and Other Instruments

The Company is not a party to any financial instruments and other instruments as defined in item 1.14 of National Instrument 51-102F1 — Management's Discussion and Analysis.

Fair Values

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 the period. 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.

QUANTITATIVE AND QUALITATIVE DISCLOSURES OF MARKET RISK

Financial Risk Management Objectives and Policies

The financial risk arising from the operations of the Company and its subsidiaries (altogether, the "Group") are currency risk, credit risk and liquidity risk. These risks arise from the normal course of operations and all transactions undertaken are to support the Group's ability to continue as a going concern. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

Credit Risk

Credit risk is managed on a Group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash, held by banks and financial institutions, as well as credit exposure to customers, including outstanding accounts receivables, work in progress and committed transactions.

Liquidity Risk

The Company does have a liquidity risk with accounts payable and accrued liabilities, debentures and other debt, revolving loan, long-term debt and the current portion of obligations under finance leases. 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 revolving loan to repay trade creditors and repays long-term debt interest and principal as they become due.

As at June 30, 2018 the undiscounted cash flows of financial liabilities based on maturity date were as follows:

June 30, 2018

Financial Liabilities	1 year	2 to 5 years	>5 years	Total
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
	<u>\$17,399,290</u>	<u>\$55,457,372</u>	<u>-</u>	<u>\$72,856,662</u>

December 31, 2017

Financial Liabilities	1 year	2 to 5 years	>5 years	Total
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
	<u>\$65,232,915</u>	<u>\$2,764,839</u>	<u>-</u>	<u>\$67,997,754</u>

Operational Risks

Fair Value Hierarchy

The following summarizes the methods and assumptions used in estimating the fair value of the Group's financial instruments where measurement is required. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy included in IFRS.

Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level two includes inputs that are observable other than quoted prices included in level one.

Level three includes inputs that are not based on observable market data.

All of the Group's cash is level one as per the fair value hierarchy.

CAPITAL MANAGEMENT

The Company's primary objectives when managing capital are to (a) safeguard the Company's ability to develop and market services, and (b) provide a sound capital structure for raising capital at a reasonable cost for the funding of ongoing development of its services and new growth initiatives. The Board of Directors does not establish quantitative capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company includes equity, comprised of issued share capital and retained earnings, in the definition of capital. The Company is dependent on cash flow from services and external financing to fund its continued growth. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There has been no change to the Company's capital management in the three month period ending June 30, 2018.

Capital Structure

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 September 2, 2016 the Company consolidated its common shares on a 10 for 1 basis. The common shares commenced trading on a consolidated basis on September 6, 2016. All common share, option and warrant figures above are presented pre-consolidation unless otherwise indicated.

On December 9, 2016 the Company closed a brokered prospectus offering of 8,518,516 common shares at a price of \$1.35 per common share for gross proceeds of \$11,500,000.

On February 9, 2017, 115,297 broker warrants were exercised at a price of \$1.00 for total proceeds to the Company of \$115,297.

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.

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 deemed 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 deemed price of \$1.35 per share. Also on the same date 2,962,963 common shares were issued as part of the acquisition price for Crown Utilities Ltd., 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 were released for trade on March 22, 2018 and 1,481,482 on December 31, 2018.

The total DIG common shares outstanding as at December 31, 2017 was 46,083,565 with fully weighted average diluted shares of 36,630,130 (December 31, 2016 – 35,295,305 and 27,095,297).

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.

SUBSEQUENT EVENTS

On July 4, 2018, a former employee of Distinct Infrastructure Group West Inc., commenced litigation against the Company for wrongful dismissal. The employee is claiming damages in the aggregate amount of \$53,364. The Company is of the opinion that the litigation is frivolous and completely without merit.

OTHER MD&A REQUIREMENTS

As defined in National Instrument 52-109 — Certification of Disclosure in Issuers' Annual and Interim Filings, disclosure controls and procedures require that controls and other procedures be designed to provide reasonable assurance, and that material information required to be disclosed is duly gathered and reported to senior management in order to permit timely decisions and timely and accurate public disclosure.

The Company has evaluated the effectiveness of its disclosure controls and procedures, as defined, and has concluded that they were effective as of the end of the period covered by this MD&A, as well as of the date of this MD&A. The Company has evaluated its internal controls and financial reporting

procedures and have found them to be effective with the objective of reporting the Company's financial transactions.