



# **DISTINCT INFRASTRUCTURE GROUP INC.**

## **Consolidated Financial Statements**

**For the thirteen months ended December 31, 2015 and for the year ended November 30, 2014**

**(Audited, expressed in Canadian Dollars)**

# Distinct Infrastructure Group Inc.

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## Independent Auditors' Report

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To the Shareholders of Distinct Infrastructure Group Inc.

We have audited the accompanying consolidated financial statements of Distinct Infrastructure Group Inc., which comprise the consolidated statements of financial position as at December 31, 2015, the consolidated statements of comprehensive income, changes in equity and cash flows for the thirteen month period ended December 31, 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Distinct Infrastructure Group Inc. as at December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the thirteen month period ended December 31, 2015 in accordance with International Financial Reporting Standards.

### Other Matter

The consolidated financial statements of Distinct Infrastructure Group Inc. as at November 30, 2014 and for the year then ended, were audited by another auditor who expressed an unmodified opinion on those statements on March 9, 2015.

Calgary, Alberta  
April 22, 2016

*MNP* LLP

Chartered Professional Accountants



**Distinct Infrastructure Group Inc.**  
**(Formerly QE2 Acquisition Corp.)**  
Consolidated Statements of Financial Position  
As at December 31, 2015 and November 30, 2014

|  | Notes | December 31, 2015<br>\$ | November 30, 2014<br>\$ |
|--|-------|-------------------------|-------------------------|
| <b>ASSETS</b>                                |       |                         |                         |
| <b>Current assets</b>                        |       |                         |                         |
| Cash   |       | 8,534,669               | 13,939                  |
| Accounts receivable                          | 5     | 14,959,304              | 9,435,153               |
| Inventory                                    |       | 244,745                 | 147,791                 |
| Prepaid expenses and deposits                | 6     | 1,048,505               | 108,442                 |
| Work in progress                             |       | 9,074,081               | 4,956,581               |
| Due from shareholders                        | 18    | 225,631                 | 192,067                 |
| Due from related party                       | 18    | 1,821,789               | 1,538,372               |
| <b>Total current assets</b>                  |       | <b>35,908,724</b>       | <b>16,392,345</b>       |
| <b>Non-current assets</b>                    |       |                         |                         |
| Property and equipment                       | 7     | 10,297,970              | 5,221,238               |
| Goodwill                                     | 8     | 4,078,699               | -                       |
| <b>Total long-term assets</b>                |       | <b>14,376,669</b>       | <b>5,221,238</b>        |
| <b>TOTAL ASSETS</b>                          |       | <b>50,285,393</b>       | <b>21,613,583</b>       |
| <b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b> |       |                         |                         |
| <b>Current liabilities</b>                   |       |                         |                         |
| Credit facilities                            | 9     | 337,461                 | 7,088,274               |
| Accounts payable and accrued liabilities     | 10    | 4,961,331               | 5,339,699               |
| Income taxes payable                         | 14    | 1,365,082               | 540,119                 |
| Current portion of debentures and other debt | 11    | 42,149                  | 53,133                  |
| Current portion of finance lease obligations | 13    | 2,013,652               | 1,120,227               |
| <b>Total current liabilities</b>             |       | <b>8,719,675</b>        | <b>14,141,452</b>       |
| <b>Non-current liabilities</b>               |       |                         |                         |
| Debentures and other debt                    | 11    | 943,020                 | 44,278                  |
| Long-term debt                               | 12    | 18,929,986              | -                       |
| Finance lease obligations                    | 13    | 5,177,264               | 3,045,342               |
| <b>Total long-term liabilities</b>           |       | <b>25,050,270</b>       | <b>3,089,620</b>        |
| <b>TOTAL LIABILITIES</b>                     |       | <b>33,769,945</b>       | <b>17,231,072</b>       |
| <b>Shareholders' equity</b>                  |       |                         |                         |
| Share capital                                | 15    | 9,819,050               | 3                       |
| Contributed surplus                          | 16    | 43,489                  | -                       |
| Retained earnings                            |       | 6,652,909               | 4,382,508               |
| <b>Total Equity</b>                          |       | <b>16,515,448</b>       | <b>4,382,511</b>        |
| <b>TOTAL LIABILITIES AND EQUITY</b>          |       | <b>50,285,393</b>       | <b>21,613,583</b>       |

“Alexander Agius”

Director

“Joe Lanni”

Director

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

**Distinct Infrastructure Group Inc.**  
**(Formerly QE2 Acquisition Corp.)**

Consolidated Statement of Comprehensive Income

For the thirteen month period ended December 31, 2015 and the twelve month period ended November 30 2014

|  | <b>Notes</b> | <b>December 31, 2015</b> | <b>November 30, 2014</b> |
|--|--------------|--------------------------|--------------------------|
|  |              | <b>\$</b>                | <b>\$</b>                |
| <b>Revenue</b>                         |              | 37,104,288               | 25,614,409               |
| <b>Expenses</b>                        |              |                          |                          |
| Direct costs                           |              | 24,882,388               | 16,958,149               |
| Selling, general and administrative    |              | 5,428,480                | 4,497,756                |
| Depreciation                           | 7            | 1,587,155                | 609,570                  |
| <b>Total expenses</b>                  |              | <b>31,898,023</b>        | <b>22,065,475</b>        |
| <b>Earnings from operations</b>        |              | <b>5,206,265</b>         | <b>3,548,934</b>         |
| <b>Other expenses</b>                  |              |                          |                          |
| Finance expense                        | 23           | 976,460                  | 535,223                  |
| Transaction costs on reverse take-over | 24           | 1,061,089                | -                        |
| One-time transaction costs             |              | 122,033                  | -                        |
|  |              | <b>2,159,582</b>         | <b>535,223</b>           |
| <b>Income before taxes</b>             |              | <b>3,046,683</b>         | <b>3,013,711</b>         |
| Income taxes                           | 14           | 776,282                  | 720,385                  |
| <b>Net and comprehensive income</b>    |              | <b>2,270,401</b>         | <b>2,293,326</b>         |
| <b>Earnings per share:</b>             |              |                          |                          |
| <b>Basic and diluted</b>               | 17           | <b>0.01</b>              | <b>0.02</b>              |

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

**Distinct Infrastructure Group Inc.**  
**(Formerly QE2 Acquisition Corp.)**  
Consolidated Statement of Cash Flows

For the thirteen month period ended December 31, 2015 and the twelve month period ended November 30, 2014

|   | Notes | December 31, 2015<br>\$ | November 30, 2014<br>\$ |
|---|-------|-------------------------|-------------------------|
| <b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b> |       |                         |                         |
| <b>OPERATING</b>  |       |                         |                         |
| Net income  |       | 2,270,401               | 2,293,326               |
| <b>Items not affecting cash</b>   |       |                         |                         |
| Finders' fee on reverse take-over                                       | 4     | 905,529                 | -                       |
| Accretion   | 23    | 43,137                  | -                       |
| Share-based compensation  | 16    | 21,412                  | -                       |
| Depreciation  | 7     | 1,587,155               | 609,570                 |
|   |       | <u>4,827,634</u>        | <u>2,902,896</u>        |
| <b>Changes in non-cash working capital items</b>                        |       |                         |                         |
| Accounts receivable   |       | (4,763,889)             | (5,746,933)             |
| Inventory   |       | (93,642)                | (19,901)                |
| Work in progress  |       | (4,117,500)             | (3,903,530)             |
| Prepaid expenses and deposits   |       | (935,029)               | 34,333                  |
| Accounts payable and accrued liabilities                                |       | (1,836,300)             | 3,141,449               |
| Income taxes payable  |       | 824,963                 | 285,457                 |
|   |       | <u>(6,093,763)</u>      | <u>(3,306,229)</u>      |
| <b>INVESTING ACTIVITIES</b>   |       |                         |                         |
| Purchase of property and equipment                                      |       | (1,230,649)             | (3,870,238)             |
| Cash acquired on reverse take-over                                      | 4     | 9,293                   | -                       |
| Proceeds from disposition of Candesto Assets                            | 4     | 725,000                 | -                       |
|   |       | <u>(496,356)</u>        | <u>(3,870,238)</u>      |
| <b>FINANCING ACTIVITIES</b>   |       |                         |                         |
| Advances to shareholder   |       | (33,564)                | (188,202)               |
| Repayment of credit facilities  | 9     | (7,861,442)             | 4,491,902               |
| Proceeds from credit facilities   | 9     | 597,173                 | -                       |
| Repayment of debentures and other                                       |       | (97,234)                | -                       |
| Advances to related party   |       | (283,417)               | (435,455)               |
| Proceeds of long-term debt  | 12    | 19,600,000              | (53,133)                |
| Payment of obligations under finance lease                              | 13    | (1,832,100)             | 3,374,037               |
| Issuance of shares, net of share issuance cost                          | 15    | 5,021,433               | -                       |
|   |       | <u>15,110,849</u>       | <u>7,189,149</u>        |
| <b>NET CASH INFLOW</b>  |       | 8,520,730               | 12,682                  |
| <b>CASH, BEGINNING OF PERIOD</b>  |       | 13,939                  | 1,257                   |
| <b>CASH, END OF PERIOD</b>  |       | <u>8,534,669</u>        | <u>13,939</u>           |

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

**Distinct Infrastructure Group Inc.**  
**(Formerly QE2 Acquisition Corp.)**

Consolidated Statements of Changes in Equity

For the thirteen month period ended December 31, 2015 and the twelve month period ended November 30, 2014

|  | Issued share capital |                  |                     | Retained earnings | Total equity      |
|--|----------------------|------------------|---------------------|-------------------|-------------------|
|  | Number of shares     | Amount           | Contributed surplus |                   |                   |
| <b>Balance, November 30, 2013 (note 15)</b>                    | 151,000,000          | 3                | -                   | 2,089,182         | 2,089,185         |
| Net and comprehensive income                                   | -                    | -                | -                   | 2,293,326         | 2,293,326         |
| <b>Balance, November 30, 2014</b>                              | <b>151,000,000</b>   | <b>3</b>         | <b>-</b>            | <b>4,382,508</b>  | <b>4,382,511</b>  |
| Issuance of units (note 15)                                    | 55,565,645           | 5,556,565        | -                   | -                 | 5,556,565         |
| Share issuance cost (note 15)                                  | -                    | (535,132)        | -                   | -                 | (535,132)         |
| Issuance of agent options (note 15)                            | -                    | (22,077)         | 22,077              | -                 | -                 |
| Issuance of common shares as finders' fee for RTO (note 4)     | 10,653,282           | 905,529          | -                   | -                 | 905,529           |
| Elimination of DistinctTech Inc. common shares on RTO (note 4) | (217,218,927)        | -                | -                   | -                 | -                 |
| QE2 common shares outstanding prior to RTO (note 4)            | 38,048,964           | -                | -                   | -                 | -                 |
| Shares issued on completion of RTO (note 4)                    | 217,218,927          | 3,234,162        | -                   | -                 | 3,234,162         |
| Issuance of shares for financing fee (note 12)                 | 8,000,000            | 680,000          | -                   | -                 | 680,000           |
| Share-based compensation (note 16)                             | -                    | -                | 21,412              | -                 | 21,412            |
| Net and comprehensive income                                   | -                    | -                | -                   | 2,270,401         | 2,528,954         |
| <b>Balance, December 31, 2015</b>                              | <b>263,267,891</b>   | <b>9,819,050</b> | <b>43,489</b>       | <b>6,652,909</b>  | <b>16,515,448</b> |

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

# Distinct Infrastructure Group Inc.

(Formerly QE2 Acquisition Corp.)

Notes to Consolidated Financial Statements

For the thirteen month period ended December 31, 2015 and the twelve month period ended November 30, 2014

(Expressed in Canadian Dollars)

## 1. Nature 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 and Alberta. 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 (Note 4), the Company changed its name to Distinct Infrastructure Group Inc. The Company’s shares are traded on the Toronto Venture 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.

## 2. Basis of preparation

### Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and the Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) and in effect as at December 1, 2014.

These consolidated financial statements are authorized for issue by the Board of Directors on April 22, 2016.

### Basis of consolidation

These consolidated financial statements include the accounts of Distinct Infrastructure Group Inc. and its wholly owned subsidiaries, Distincttech Inc. (Ontario), iVac Services Inc., Distinct Environmental Solutions Inc., Distincttech Inc. (Alberta), Pillar Contracting Ltd., and QE2 Holdings Corp. as at December 31, 2015.

| Name of subsidiary                    | Principal activity       | Place of Business and operation | Equity interest |      |
|---------------------------------------|--------------------------|---------------------------------|-----------------|------|
|                                       |                          |                                 | 2015            | 2014 |
| DistinctTech Inc. (Ontario)           |                          | Toronto, ON                     | 100%            | 100% |
| iVac Services Inc.                    | Hydrovac services        | Toronto, ON                     | 100%            | 100% |
| Distinct Environmental Solutions Inc. | Inactive                 | Toronto, ON                     | 100%            | 100% |
| DistinctTech Inc. (Alberta)           | Civil light construction | Albertsville, AB                | 100%            | -    |
| Pillar Contracting Ltd.               | Civil light construction | Calgary, AB                     | 100%            | -    |
| Candesto Enterprises Ltd.             | Road construction        | Calgary, AB                     | 100%            | -    |

### Basis of preparation

The consolidated 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 Company changed its year end date from November 30 to December 31. The consolidated financial statements have comparatives of twelve months ending November 30, 2014 to new fiscal year end actuals of thirteen months ending December 31, 2015.

## Distinct Infrastructure Group Inc.

(Formerly QE2 Acquisition Corp.)

Notes to Consolidated Financial Statements

For the thirteen month period ended December 31, 2015 and the twelve month period ended November 30, 2014

(Expressed in Canadian Dollars)

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

#### **Use of judgments and estimates**

Management is required to make estimates, judgments 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 judgments, 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 judgments 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.

#### Determining cash generating units ("CGU's")

For the purpose of assessing impairment of property and equipment, 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 to sell and value in use. Management has determined that the Company has two CGUs.

#### Taxes

The Company applies judgment 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. Given the changes occurring in the ownership of the Company differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expenses already recorded.

#### Contingencies

Management uses judgment 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 judgment 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 were a different estimate or assumption used. The significant areas of estimation uncertainty are as follows:

#### Impairment of property and equipment

The Company assesses impairment on its assets that are subject to amortization 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 to sell and its value in use. The Company uses the calculation of fair value less costs to sell to determine the fair value of its CGUs. In determining the fair value less costs to sell, 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.

#### Depreciation of property and equipment

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

**Distinct Infrastructure Group Inc.**  
**(Formerly QE2 Acquisition Corp.)**

Notes to Consolidated Financial Statements

For the thirteen month period ended December 31, 2015 and the twelve month period ended November 30, 2014

(Expressed in Canadian Dollars)

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**2. Basis of preparation** *(continued from previous page)*

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 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.

**3. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

**(a) Business combinations**

Acquisitions of subsidiaries and assets that meet the definition of a business under IFRS are accounted for using the acquisition method. The consideration for each acquisition is measured at the date of exchange as the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Company. The identifiable assets acquired and liabilities and contingent liabilities assumed that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date, except for, deferred income taxes, employee benefit arrangements, share-based compensation, and assets held for sale, which are measured in accordance with their applicable IFRS. Any excess consideration over the fair value of the identifiable net assets is recognized as goodwill. Acquisition-related costs, other than those associated with the issuance of debt or equity, are recognized in earnings as incurred.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date. The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date up to a maximum of one year.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 either in earnings or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be re-measured and its final settlement shall be accounted for within equity.

## Distinct Infrastructure Group Inc.

(Formerly QE2 Acquisition Corp.)

Notes to Consolidated Financial Statements

For the thirteen month period ended December 31, 2015 and the twelve month period ended November 30, 2014

(Expressed in Canadian Dollars)

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### 3. Summary of significant accounting policies *(continued from previous page)*

#### (b) Cash

Cash consists of bank balances and highly liquid short-term investments with a maturity date of less than 90 days which are convertible to known amounts of cash at any time by the Company without penalties.

#### (c) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

#### (d) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and/or accumulated impairment losses (if any). Such costs include expenditures directly related to the acquisition of the asset, the cost of replacing part of the property and equipment and borrowing costs if the recognition criteria are met. When significant parts of property and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statements of comprehensive income as incurred.

Depreciation of property and equipment is not recorded until such time as the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Depreciation is calculated over the estimated useful life of the assets, at the following rates and methods:

|  |                       |
|--|-----------------------|
| Construction equipment under finance lease | 20% Declining balance |
| Office and computer equipment              | 20% Declining balance |
| Machinery, vehicles and equipment          | 20% Declining balance |

Gains or losses arising from de-recognition of an item of property and equipment are measured as the difference between the sale proceeds and the carrying amount of the asset and are recognized in the consolidated statements of comprehensive income when the asset is derecognized.

#### (e) Goodwill

The Company measures goodwill as the the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and the liabilities assumed, all measured as of the acquisition date. Since goodwill results from the application of the acquisition method of accounting for a business combination, it is inherently imprecise and requires judgement in the determination of the fair value of assets and liabilities.

Goodwill is allocated to the Company's CGUs or group of cash generating units that are expected to benefit from the synergies of the business combination. Goodwill is not amortized, but is tested for impairment at least annually. An impairment loss in respect of goodwill is not reversed. On the disposal or termination of a previously acquired business, any remaining balance of associated goodwill is included in the determination of the gain or loss on disposal.

## Distinct Infrastructure Group Inc.

(Formerly QE2 Acquisition Corp.)

Notes to Consolidated Financial Statements

For the thirteen month period ended December 31, 2015 and the twelve month period ended November 30, 2014

(Expressed in Canadian Dollars)

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### 3. Summary of significant accounting policies *(continued from previous page)*

#### (f) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; and/or,
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of all financial assets is directly reduced by the impairment loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

#### (g) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGUs to which the asset belongs, which is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows of other assets or groups of assets. Where a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. Fair value less costs to sell is based on available market information, where applicable. In the absence of such information, it is determined using discounted future net cash flows. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Goodwill is reviewed for impairment annually or more frequently if there are indications that impairment may have occurred. Goodwill impairment is tested at either the individual or group CGU level and is determined based upon the amount of future discounted cash flows generated by the individual CGU or group of CGU's compared to the individual CGU or group of CGU's respective carrying amount. If the impairment loss exceeds the carrying amount of goodwill, the goodwill is written off completely. Any impairment loss left over is allocated to the remaining assets of the individual CGU or group of CGU's.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

## **Distinct Infrastructure Group Inc.**

(Formerly QE2 Acquisition Corp.)

Notes to Consolidated Financial Statements

For the thirteen month period ended December 31, 2015 and the twelve month period ended November 30, 2014

(Expressed in Canadian Dollars)

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### **3. Summary of significant accounting policies** *(continued from previous page)*

#### **(h) Taxes**

Tax expense comprises current and deferred tax. Current and deferred taxes relating to items recognized directly in equity and other comprehensive income are recognized in equity and other comprehensive income and not in net income.

#### **Current tax**

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### **Deferred tax**

Deferred tax is recognized, using the asset and liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statements of financial position.

Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax liabilities:

- are generally recognized for all taxable temporary differences; and,
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and,
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit.

#### **(i) Revenue recognition**

The Company's revenue is comprised of service and sales revenue. These revenues are recognized based on the percentage of completion method when the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the Corporation; the stage of completion of the transaction at the end of the reporting period can be measured reliably; and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. When the outcome cannot be determined reliably, revenue is recognized to the extent that costs are recoverable. The stage of completion of a transaction may be determined by a variety of methods. The Corporation uses the method that measures reliably the services performed, being surveys of work performed.

#### **(j) Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

## Distinct Infrastructure Group Inc.

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(Expressed in Canadian Dollars)

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### 3. Summary of significant accounting policies *(continued from previous page)*

#### **(j) Leases** *(continued)*

Assets held under finance leases are initially recognized at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments with the corresponding liability recognized for the finance lease obligation. Lease payments are apportioned between interest expense and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. Lease incentives, if received, are recognized as a reduction of the related expense on a straight-line basis over the lease term.

#### **(k) Financial assets**

Financial assets are classified as either financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition. When, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held-to-maturity, the investment is reclassified into the available-for-sale category.

FVTPL includes financial assets held for trading and financial assets designated upon initial recognition at FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. FVTPL are carried in the consolidated statements of financial position at fair value, with changes in fair value recognized in finance income or finance cost in the consolidated statements of comprehensive income. The Company's FVTPL assets are comprised of cash.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment loss. The Company's loans and receivables are comprised of accounts receivable, due from shareholders and due from related party.

A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the loan and receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the loan and receivable is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statements of comprehensive income. When a loan and receivable is uncollectible, it is written off against the allowance account for loans and receivables.

Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred.

#### *Held to maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are measured at amortized cost using the effective interest rate method, less any impairment losses. Impairment losses are recognized in profit or loss.

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### 3. Summary of significant accounting policies (continued from previous page)

#### (k) Financial assets (continued)

##### *Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other three asset categories. After initial recognition, available-for-sale financial assets are measured at fair value with unrealized gains or losses recognized in other comprehensive income (“OCI”) until the asset is derecognized, or impaired, at which time the cumulative gain or loss previously reported in OCI is included in profit or loss.

#### (l) Financial liabilities

The Company classifies its financial liabilities as fair value through profit and loss (“FVTPL”) and other financial liabilities. Management determines the classification of its financial liabilities at initial recognition.

FVTPL includes financial liabilities held for trading and financial liabilities designated upon initial recognition at FVTPL. FVTPL are carried in the consolidated statements of financial position at fair value, with changes in fair value recognized in finance income or finance cost in the consolidated statements of comprehensive income. The Company does not have any financial instruments classified as FVTPL.

Other financial liabilities are recognized initially at fair value plus transaction costs and subsequently measured at amortized cost using the effective interest rate method. Other financial liabilities include bank indebtedness, accounts payable and accrued liabilities, revolving loan, notes payable and long-term debt.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

#### (m) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted into common shares of the Company. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry, where this is transferred to common shares or contributed surplus.

#### (n) Fair value of financial instruments

The Company has classified its financial instrument fair values based on the required three level hierarchies:

- Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities;
- Level 2: Valuations based on observable inputs other than quoted active market prices; and,
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flows methods.

The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The fair value of cash is based on level 1 inputs.

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### **3. Summary of significant accounting policies** *(continued from previous page)*

#### **(o) Transaction costs**

Transaction costs for financial instruments other than FVTPL are capitalized in the period they are incurred. Transaction costs for loan facilities that have durations longer than one year are capitalized and amortized using the effective interest rate method over the period that corresponds with the term of the loan facilities.

#### **(p) Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### **(q) Per share amounts**

Basic earnings or loss per share is calculated by dividing the income (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The weighted average number of common shares outstanding is calculated by adjusting the shares issued at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

Diluted earnings or loss per share is determined by adjusting the income (loss) attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees and directors, warrants and convertible debentures. The calculation assumes the proceeds on exercise of options are used to repurchase shares at the current market price.

Shares held in escrow that are only released upon contingent events are not included in the calculation of the weighted average number of common shares.

#### **(r) Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### **(s) Operating segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources, assessing the performance of the operating segments, and making strategic decisions, and has been identified as the Executive Committee.

## Distinct Infrastructure Group Inc.

(Formerly QE2 Acquisition Corp.)

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(Expressed in Canadian Dollars)

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### 3. Summary of significant accounting policies *(continued from previous page)*

#### (t) Future accounting pronouncements

The Company is currently assessing the impact of the following accounting pronouncements:

- (i) In July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. This Standard will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 is effective for reporting periods beginning on or after January 1, 2018 with early adoption permitted (subject to local endorsement requirements).
- (ii) In May 2014, the International Accounting Standard Board (IASB) issued a new International Financial Reporting Standard (IFRS) on the recognition of revenue from contracts with customers. IFRS 15 specifies how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services. The Section provides a single, principles based five-step model to be applied to all contracts with customers, with certain exceptions. The five steps are:
  - a. Identify the contract(s) with the customer.
  - b. Identify the performance obligation(s) in the contract.
  - c. Determine the transaction price.
  - d. Allocate the transaction price to each performance obligation in the contract.
  - e. Recognize revenue when (or as) the entity satisfies a performance obligation.

The standard is effective for annual periods beginning on or after January 1, 2018.

- (iii) IAS 1 Presentation of Financial Statements: The amendments to IAS 1 include amendments in the following areas: materiality, disaggregation and subtotals, note structures, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments. The amendments are effective for years beginning on or after January 1, 2016.
- (iv) IFRS 16 replaces IAS 17, Leases, and introduces new rules for accounting for leases which will result in substantially all lessee leases being recorded on the consolidated statement of financial position. The standard is effective for annual periods beginning on or after January 1, 2019 with retroactive application and with early adoption permitted.
- (v) Amendments to IAS 38 provide clarification of acceptable methods of depreciation and amortization. The amendments were issued in May 2014 and apply to annual reporting periods beginning on or after January 1, 2016, with early adoption permitted under IFRS.

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(Expressed in Canadian Dollars)

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### **3. Summary of significant accounting policies** *(continued from previous page)*

#### **(u) Recently adopted pronouncements**

The following accounting pronouncements were adopted during the year. The adoption of these pronouncements did not have a significant impact on the consolidated financial statements:

- (i) IFRS 2: The amendments to IFRS 2, issued by the International Accounting Standards Board (IASB) in December 2013, incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in March 2014, clarify the definition of “vesting conditions” and “market conditions”, and separately define a “performance condition” and a “service condition”. A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service.
- (ii) IFRS 3: The amendments to IFRS 3, issued by the International Accounting Standards Board (IASB) in December 2013, incorporated into Part I of the CPA Canada Handbook – Accounting (the Handbook) by the Accounting Standards Board (AcSB) in March 2014, clarify the accounting for contingent consideration in a business combination. At each reporting period, an entity measures contingent consideration classified as an asset or a financial liability at fair value, with changes in fair value recognized in profit or loss.
- (iii) IFRS 7: In December 2011, the IASB issued amendments to IFRS 7, “Financial Instruments: Disclosures” and IAS 32, Financial Instruments: Presentation’ to clarify the current offsetting model and develop common disclosure requirements to enhance the understanding of the potential effects of offsetting arrangements.
- (iv) IAS 36: In May 2013, the IASB issued amendments to IAS 36 "Impairment of Assets" which reduces the circumstances in which the recoverable amount of CGUs is required to be disclosed and clarify the disclosures required when an impairment loss has been recognized or reversed in the period.

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### 4. Reverse take-over

On August 13, 2015, pursuant to a definitive amalgamation agreement dated June 29, 2015, QE2 Acquisition Corp. ("QE2") issued one share of QE2 for each share held by shareholders of DistinctTech Inc. ("DistinctTech") to those shareholders. Total shares issued was 217,218,927, resulting in the DistinctTech shareholders controlling QE2 and therefore constituting a reverse takeover of QE2 (the "Transaction"). In addition, each DistinctTech warrant outstanding at the date of the closing of the Transaction was converted on a one for one basis into warrants of QE2. A total of 4,317,251 and 27,782,823 broker warrants and warrants issued on private placement, respectively, were converted. In connection with the Transaction, Company issued 10,653,282 shares valued at \$0.085 per share to a third party as a finders' fee for the Transaction.

As the former shareholders of DistinctTech own approximately 85% of the voting shares of QE2 after the transaction, and has control of the combined entity, the acquisition of DistinctTech by QE2 has been accounted for using the reverse-takeover ("RTO") acquisition method of accounting in accordance with IFRS 3 with DistinctTech deemed to be the acquirer or the accounting parent. The accounting information and results of operations of the legal parent, QE2, are included in the consolidated financial statements from the date of the reverse takeover, August 13, 2015. For accounting purposes, the Company is considered to be a continuation of DistinctTech and the comparatives are those of DistinctTech.

The fair value of the consideration, calculated as \$3,234,162, is determined based on the percentage of ownership of the merged entity that was transferred to shareholders of QE2 upon completion of the Transaction. This value represents the fair value of the number of shares that Distinct would have had to issue for the ratio of ownership interest in the combined entity to be the same as if the Transaction had taken the legal form of Distinct acquiring 100% of the shares of QE2. The percentage of ownership QE2 shareholders has in the combined entity is 15% after the consolidation of its existing 38,048,964 issued and outstanding common shares with the 217,218,927 newly issued shares of Distinct held by shareholders as of August 13, 2015. The fair value of the Transaction is based on the transaction price of the recent private placement sales occurring prior to the Transaction to arms length parties of Distinct units. Distinct units were valued at \$0.10 per unit. A value of \$0.015 was allocated to the attached half warrant leaving and per share value of \$0.085.

The Company has made a preliminary determination of the fair value of the tangible and intangible assets acquired and liabilities assumed in the Transaction. The fair value of the intangible assets has been measured provisionally and if new information obtained within one year of the date of acquisition about the facts and circumstances that existed at the date of the acquisition identifies adjustments to the amounts then the accounting for the acquisition will be revised. The final allocation of the fair value of the net assets acquired and aggregate consideration may be significantly different from the preliminary allocation as presented below:

#### Fair value of net assets acquired

|                                  |                  |
|----------------------------------|------------------|
| Net working capital              | 134,527          |
| Property and equipment           | 1,268,899        |
| Goodwill                         | 4,519,862        |
| Debentures                       | (834,260)        |
| Long term debt                   | (1,854,866)      |
| <b>Total net assets acquired</b> | <b>3,234,162</b> |

#### Consideration given:

|                            |                  |
|----------------------------|------------------|
| Shares issued              | 38,048,964       |
| Value per share            | \$0.085          |
| <b>Total consideration</b> | <b>3,234,162</b> |

Goodwill arises from existing synergies and is not tax deductible.

The revenue and loss from operations of QE2 included in the consolidated financial statements for the 140 days since the Transaction are \$1,409,176 and \$37,761, respectively. Had the Transaction occurred on December 1, 2014, the consolidated financial statements would show additional pro forma revenue of \$6,824,423 and earnings from operations of \$1,058,769.

## Distinct Infrastructure Group Inc.

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(Expressed in Canadian Dollars)

### 4. Reverse take-over (continued)

Following the close of the Transaction, management entered into negotiations to dispose of the assets contained within Candesto Enterprises Ltd. ("Candesto") to the former shareholder of Candesto. The operations of Candesto were acquired by QE2 during its fiscal year ending January 31, 2015. The disposal was completed in November 2015 for total consideration of \$2,548,432 comprised of cash of \$725,000 and assumption of all debt of Candesto. Associated goodwill of Candesto was estimated by management to be \$441,163 which was derecognized as part of the sale of the Candesto assets. No gain or loss was recorded on this disposal.

### 5. Accounts receivable

|                   | December 31,<br>2015 | November 30,<br>2014 |
|-------------------|----------------------|----------------------|
| Trade receivables | \$14,959,304         | \$ 9,435,153         |
|                   | <u>\$14,959,304</u>  | <u>\$ 9,435,153</u>  |

The aging analysis of trade receivables is as follows:

|            | December 31,<br>2015 | November 30,<br>2014 |
|------------|----------------------|----------------------|
| <31 days   | 12,754,042           | 8,094,343            |
| 31-60 days | 1,008,384            | 475,129              |
| 61-90 days | 408,675              | 239,027              |
| > 90 days  | 788,203              | 626,563              |
|            | <u>14,959,304</u>    | <u>9,435,153</u>     |

The Company has analyzed its historical collections history from its prior periods as well as customers` data and determined that due to historical trends, current market and economic conditions no provision is required at this time. The Company will continue to analyze collections monthly and will determine appropriate provisions for bad debts if necessary.

### 6. Prepaid expenses and deposits

|                  | December 31,<br>2015 | November 30,<br>2014 |
|------------------|----------------------|----------------------|
| Prepaid expenses | \$ 912,535           | \$108,442            |
| Deposits         | 135,970              | -                    |
|                  | <u>\$ 1,048,505</u>  | <u>\$108,442</u>     |

## Distinct Infrastructure Group Inc.

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(Expressed in Canadian Dollars)

### 7. Property and equipment

|                                   | Office and<br>Computer<br>Equipment | Machinery,<br>Vehicles and<br>Equipment | Construction<br>Equipment under<br>finance lease | Total             |
|-----------------------------------|-------------------------------------|---|--|-------------------|
| <b>Cost</b>                       |                                     |   |  |                   |
| Balance, November 30, 2013        | 205,278                             | 750,145                                 | 2,833,364  | 3,788,787         |
| Additions                         | 76,158                              | 135,722                                 | 3,658,357  | 3,870,237         |
| Balance, November 30, 2014        | 281,436                             | 885,867                                 | 6,491,721  | 7,659,024         |
| Additions                         | 380,713                             | 849,936                                 | 4,724,432  | 5,955,081         |
| Acquisition (Note 4)              | 49,363                              | 1,098,040                               | 121,496  | 1,268,899         |
| Disposal (Note 4)                 | (30,361)                            | (547,604)                               | -  | (577,965)         |
| <b>Balance, December 31, 2015</b> | <b>681,151</b>                      | <b>2,286,239</b>                        | <b>11,337,649</b>                                | <b>14,305,039</b> |
| <b>Accumulated Depreciation</b>   |                                     |   |  |                   |
| Balance, November 30, 2013        | 91,048                              | 241,243                                 | 1,495,925  | 1,828,216         |
| Charge for the year               | 35,642                              | 107,373                                 | 466,555  | 609,570           |
| Balance, November 30, 2014        | 126,690                             | 348,616                                 | 1,962,480  | 2,437,786         |
| Charge for the year               | 80,553                              | 247,602                                 | 1,259,000  | 1,587,155         |
| Disposal (Note 4)                 | (127)                               | (17,745)                                | -  | (17,872)          |
| <b>Balance, December 31, 2015</b> | <b>207,116</b>                      | <b>578,473</b>                          | <b>3,221,480</b>                                 | <b>4,007,069</b>  |
| <b>Net book value</b>             |                                     |   |  |                   |
| <b>November 30, 2014</b>          | <b>154,746</b>                      | <b>537,251</b>                          | <b>4,529,241</b>                                 | <b>5,221,238</b>  |
| <b>December 31, 2015</b>          | <b>474,035</b>                      | <b>1,707,766</b>                        | <b>8,116,169</b>                                 | <b>10,297,970</b> |

### 8. Goodwill

|                                     |                  |
|-------------------------------------|------------------|
| Balance, November 30, 2014 and 2013 | -                |
| Acquisition (Note 4)                | 4,519,862        |
| Disposal (Note 4)                   | (441,163)        |
| Balance, December 31, 2015          | <u>4,078,699</u> |

The Company performed its annual impairment test at December 31, 2015. The Company has determined that it has two CGUs, consisting of the group of assets acquired in the Transaction ("QE2 CGU") and those that existed prior to the Transaction. All of the goodwill was allocated to the QE2 CGU. The recoverable amount of the QE2 CGU was determined based on a value in use calculation using the following key assumptions:

- 5 year post-tax cash flow projections expected to be generated based on financial budgets with a terminal growth rate of 2%. Budgeted cash flows were determined by management based on the Company's past performance and future growth prospects; and,
- cash flows were discounted at the Company's weighted average cost of capital of 17.2% based on peer group averages.

The most sensitive inputs to the value in use model are the growth and discount rates. All else being equal:

- A 1% increase in the discount rate would have resulted in a reduction to the recoverable amount of \$417,095
- A 5% decrease in growth rates would have resulted in a reduction to the recoverable amount of \$1,534,847

Changing the above assumption did not indicate any impairment.

**Distinct Infrastructure Group Inc.**  
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(Expressed in Canadian Dollars)

**9. Credit facilities**

The Company has credit facilities available from the following financial institutions as at December 31, 2015:

- *Royal Bank of Canada*  
Demand revolving operating loan with a maximum available credit of \$8,500,000. The operating loan is due on demand, bears interest at Royal Bank's prime lending rate plus 2% per annum and is secured by a general security agreement, an assignment of insurance, and guarantee postponement of claim in the amount of \$750,000 by two directors. As of December 31, 2015, this operating loan had a balance of \$nil (2014 - \$7,088,274).
- *Alberta Treasury Board* ("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. As at December 31, 2015, this operating loan had a balance of \$337,461.

**10. Accounts payable and accrued liabilities**

|                            | <b>December 31,<br/>2015</b> | <b>November 30,<br/>2014</b> |
|----------------------------|------------------------------|------------------------------|
| Accounts payable           | 3,271,243                    | 4,581,693                    |
| Accrued liabilities        | 600,742                      | 417,688                      |
| Payroll taxes payable      | 200,248                      | 88,298                       |
| Due to government agencies | 889,098                      | 252,020                      |
|                            | <b>4,961,331</b>             | <b>5,339,699</b>             |

**11. Debentures and other debt**

*Debentures*

|  |                |
|--|----------------|
|  | <b>\$</b>      |
| Debentures assumed in the Transaction (Note 4) | 834,260        |
| Accretion                                      | 33,151         |
| <b>Balance as at December 31, 2015</b>         | <b>867,411</b> |

The Company assumed unsecured convertible debentures (the "Debentures") with a principal balance of \$979,000 as part of the Transaction (Note 4). 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 \$0.25 per common share. The Debentures are subject to a forced conversion, at the option of the Company, if the common shares trade at or above \$0.30 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 \$76,672. The principal balance outstanding at December 31, 2015 is \$117,758, of which \$42,149 is due within the next year.

In addition, as at December 31, 2014, the Company had a non-interest bearing note payable to a shareholder of the Company with a principal of \$97,411, of which \$53,133 was due within the next year. The outstanding balance was repaid in full during fiscal 2015.

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### 12. Long-term debt

|                                   | \$                |
|-----------------------------------|-------------------|
| Crown Debt                        | 20,000,000        |
| Financing fee paid in cash        | (400,000)         |
| Financing fee paid in shares      | (680,000)         |
|                                   | 18,920,000        |
| Accretion                         | 9,986             |
| <b>Balance, December 31, 2015</b> | <b>18,929,986</b> |

In November 2015, the Company closed a credit agreement with Crown Capital Fund IV, LP (“Crown”) for a \$20,000,000 million term loan (“Debt”) for the purposes of future acquisitions. The term loan bears interest at a fixed interest rate of 10% per annum payable monthly in arrears, maturing on November 25, 2020.

The Company has the option to prepay all or any amount of the outstanding principal (subject to a minimum prepayment of \$1,000,000) after 18 months have lapsed, subject to a prepayment fee calculated as a percentage (the “Prepayment Fee Percentage”) of the principal amount being repaid. The Prepayment Fee Percentage starts at 3% and decreases to 2% after 36 months and to 1% after 48 months.

The Company, including all subsidiaries, and ABL Professional Management Services Inc. (the “Obligors”) each provided an unlimited guarantee, guaranteeing the due payment and performance of all obligations under the Debt. ABL Professional Management Services Inc. (“ABL”) is a separate legal entity that is controlled by the two majority shareholders and co-chief executive officers of the Company. The Debt is further secured by a general security agreement from each Obligor, constituting a second-ranking lien (subject only to permitted liens) on all of the present and after acquired property of such Obligor. Also, a securities pledge agreement from each Obligor, constituting a second-ranking lien (subjected only to permitted liens) on all of the equity interests such Obligor owns in another Obligor.

Under the terms of the Debt, the Company paid a share fee through the issuance of 8,000,000 common shares to Crown at price of \$0.085 per share and paid a cash fee of \$400,000. These amounts are being accreted over the life of the Debt. Accretion expense during the period ended December 31, 2015 was \$9,986.

The Debt requires the Company to comply with certain financial covenants, including a debt service coverage ratio of 1.25:1 and a net debt to earnings before interest, tax, depreciation and amortization (“EBITDA”) of 3:1 (the “Financial Covenants”). EBITDA is calculated on a trailing twelve month basis. EBITDA is specifically defined in the credit agreement and excludes extraordinary, unusual and non-recurring items for such period.

As at December 31, 2015, the Company is in compliance with its Financial Covenants.

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### 13. Finance lease obligation

The following is a schedule of the future minimum lease payments of the finance leases expiring at various dates, ranging from January 1, 2016 to December 31, 2020, together with the balance of the obligation:

Estimated lease payments are as follows:

|   | <b>2015</b>         | <b>2014</b>         |
|---|---------------------|---------------------|
| 2015                                    | \$ -                | \$ 1,319,012        |
| 2016                                    | 2,730,154           | 998,683             |
| 2017                                    | 2,169,897           | 910,282             |
| 2018                                    | 1,875,697           | 710,203             |
| 2019                                    | 1,344,958           | 707,164             |
| Subsequent years                        | 34,156              | 64,239              |
|   | <u>8,154,862</u>    | <u>4,709,583</u>    |
| Less amount representing interest       | 963,946             | 544,014             |
| Present value of minimum lease payments | <u>7,190,916</u>    | <u>4,165,569</u>    |
| Less current portion                    | 2,013,652           | 1,120,227           |
|   | <u>\$ 5,177,264</u> | <u>\$ 3,045,342</u> |

Interest charges to the accounts of the Company on the above during the period amounts to \$275,430 (2014 - \$84,851).

The finance leases have interest rates that range from 0-7% interest with an average interest rate of 5% (2014 – 5%). Interest and principal payments made on finance leases for the year ended was \$1,832,100 (2014 - \$685,250).

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### 14. Taxes

The net income tax provision differs from that expected by applying the combined federal and provincial tax rates of 26.5% (2014 – 21%) to loss before income taxes for the following reasons:

|   | <u>2015</u>    | <u>2014</u>   |
|---|----------------|---------------|
| Income before taxes                             | \$ 3,046,683   | \$ 3,013,911  |
| Combined federal and provincial income tax rate | <u>26.5%</u>   | 21%           |
| Expected tax provision                          | 807,370        | 632,879       |
| Impact of tax rate differences                  | (94,144)       | -             |
| Change in tax estimate                          | (242,665)      | -             |
| Non-deductible expenses                         | 51,111         | 48,506        |
| Change in deferred tax benefits not recognized  | <u>254,610</u> | <u>39,000</u> |
| Income tax expense                              | \$ 776,282     | \$ 720,385    |

Deferred tax assets and liabilities are attributable to the following:

|                                      | <u>2015</u>      | <u>2014</u>     |
|--------------------------------------|------------------|-----------------|
| Deferred tax assets (liabilities)    |                  |                 |
| Property and equipment               | \$ (388,814)     | \$ (50,000)     |
| Non-capital losses                   | 680,284          | 89,000          |
| Finance leases                       | 31,153           | -               |
| Debentures                           | (29,013)         | -               |
| Net deferred tax assets              | <u>293,610</u>   | <u>39,000</u>   |
| Deferred tax benefits not recognized | <u>(293,610)</u> | <u>(39,000)</u> |
|                                      | \$ -             | \$ -            |

The Company has non-capital losses of approximately \$2,500,000 (2014 - \$400,000) which are available for deduction against future taxable income and commence to expire in 2034 until years 2034 to 2035.

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**15. 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 April 2, 2015, DistinctTech amalgamated with its two wholly owned Ontario numbered holding companies (2210291 Ontario Ltd & 2210296 Ontario Ltd) for tax planning purposes. The 150 common shares of DistinctTech along with all the shares of the numbered companies were returned to treasury for cancellation and 151,000,000 common shares were issued as replacement to the existing shareholders.

Between April 27, 2015 and June 1, 2015, the Company closed three tranches of a brokered private placement, issuing a total of 55,565,645 units (the "Units") at \$0.10 per Unit for gross proceeds of \$5,556,565. Each Unit consists of one common share and one-half common share purchase warrant. Each whole common share purchase warrant ("Warrant") has an exercise price of \$0.20 per share and expires within 36 months of issuance. The Warrants are subject to a forced conversion ("Forced Conversion"), at the option of the Company, if the common shares trade at or above \$0.30 per share for a period of 20 non-consecutive trading days. The Warrants will expire on the 20th business day following the date that notice of the Forced Conversion is sent to the Warrant holders.

In connection with the brokered private placement, the Company incurred share issuance cost of \$535,132 and issued 4,317,252 broker warrants ("Broker Warrants"). Each Broker Warrant gives the holder the right to acquire one Unit any-time up to 36 months from closing at an exercise price of \$0.10 per Unit.

**16. 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 December 31, 2015:

|  | <b>Number of share<br/>options</b> | <b>Weighted average<br/>exercise price<br/>\$</b> |
|--|------------------------------------|---|
| Balance November 30, 2014                    | -                                  | -   |
| QE2 options on the Transaction date (note 4) | 1,100,000                          | 0.15  |
| Granted under stock option plan              | 7,650,000                          | 0.20  |
| Options forfeited                            | (333,333)                          | 0.20  |
| Options cancelled                            | (166,667)                          | 0.20  |
| <b>Balance, December 31, 2015</b>            | <b>8,250,000</b>                   | <b>0.19</b>                                       |

  

|              | <b>Options outstanding</b>                   |  |   | <b>Options exercisable</b>   |  |   |
|--------------|--|--|---|------------------------------|--|---|
|              | <b>Number of<br/>options<br/>outstanding</b> | <b>Weighted<br/>average<br/>remaining<br/>contractual life</b> | <b>Weighted<br/>average<br/>exercise price<br/>\$</b> | <b>Number of<br/>options</b> | <b>Weighted<br/>average<br/>remaining<br/>contractual<br/>life</b> | <b>Weighted<br/>average<br/>exercise price<br/>\$</b> |
| 0.15         | 1,100,000                                    | 1.01 years   | 0.15  | 1,100,000                    | 1.01 years   | 0.15  |
| 0.20         | 7,150,000                                    | 4.76 years   | 0.20  | 3,383,333                    | 4.76 years   | 0.20  |
| <b>Total</b> | <b>8,250,000</b>                             | <b>4.26 years</b>  | <b>0.19</b>   | <b>4,483,333</b>             | <b>3.84 years</b>  | <b>0.19</b>   |

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

The Black-Scholes option-pricing model, with the following assumptions, was used to estimate the fair value of share options on the grant date as follows:

|                         |                           |
|-------------------------|---------------------------|
|                         | <b>September 24, 2015</b> |
| Risk-free interest rate | 0.82%                     |
| Expected life           | 5 years                   |
| Expected volatility     | 68.42%                    |
| Dividend per share      | \$nil                     |
| Share price             | \$0.08                    |

## (b) Common share purchase warrants

The following tables provide a summary of the Company's common share purchase warrants outstanding as at December 31, 2015:

|   | <b>Number of warrants</b> | <b>Weighted average exercise price</b> |
|---|---------------------------|--|
|   |                           | <b>\$</b>                              |
| Balance November 30, 2014                                     | -                         | -                                      |
| Warrants issued as part of private placement (note 15)        | 27,782,823                | 0.20                                   |
| Broker Warrants issued as part of private placement (note 15) | 4,317,252                 | 0.10                                   |
| QE2 warrants on the Transaction date (note 4)                 | 6,127,790                 | 0.35                                   |
| <b>Balance, December 31, 2015</b>                             | <b>38,227,865</b>         | <b>0.21</b>                            |

| <b>Warrants outstanding and exercisable</b> |                           |  |  |
|---|---------------------------|--|--|
| <b>Exercise price</b>                       | <b>Number of warrants</b> | <b>Weighted average remaining contractual life</b> | <b>Weighted average exercise price</b> |
|   |                           |  | <b>\$</b>                              |
| 0.10  | 4,560,252                 | 2.42 years   | 0.10                                   |
| 0.20  | 30,516,823                | 2.42 years   | 0.20                                   |
| 0.50  | 3,150,790                 | 0.69 years   | 0.50                                   |
| <b>Total</b>                                | <b>38,227,865</b>         | <b>2.27 years</b>                                  | <b>0.21</b>                            |

The Black-Scholes option-pricing model, with the following assumptions, was used to estimate the fair value of Broker Warrants on the grant dates as follows:

|                         |                                       |
|-------------------------|---------------------------------------|
|                         | <b>April 27, 2015 to June 1, 2015</b> |
| Risk-free interest rate | 0.70%                                 |
| Expected lives (years)  | 3                                     |
| Expected volatility     | 85%                                   |
| Dividend per share      | \$nil                                 |
| Share price fair value  | \$0.085                               |

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### 17. Basic and diluted earnings per share

The weighted average number of common shares used in the calculation of basic and diluted earnings per share is 202,370,945 (2014 – 151,000,000). The Company's outstanding options, warrants and the conversion feature of the Debentures did not have an effect on the weighted average number of common shares used to calculate diluted earnings per share as the exercise price of these potentially dilutive instrument were higher than the Company's average market price during fiscal 2015 (i.e. "out of the money").

### 18. Related party transactions

#### Due from related party

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 services on a pass through basis of \$214,151 (2014 - \$464,550). As at December 31, 2015, \$1,821,789 (2014 - \$1,538,372) remains receivable. The shareholders of ABL have provided personal guarantees up to \$2,000,000 and ABL will repay amounts outstanding within 24 months, starting in June 2016.

#### Due from shareholders

Receivables outstanding from two majority shareholders and co-chief executive officers of the Company amounts to \$225,631 (2014 - \$192,067). The outstanding amounts will be repaid over the next twenty four months, is personally guaranteed by the shareholders and does not bear interest. The amounts will bear interest at a rate of prime plus 1% per annum commencing June 1, 2016.

#### Compensation of key management personnel

The Company pays its co-chief executive officers by way of a management services agreement(s) with companies controlled by these individuals. Payments totalling \$679,193 was paid for the period ending December 31, 2015 (2014 - \$433,162).

The Company pays its other key management personnel by way of management services agreement(s) with companies controlled by these individuals. Payments totalling \$782,107 was paid for the period ending December 31, 2015 (2014 - \$219,937).

### 19. Other commitments

The Company leases its premises, vehicles and other related equipment under operating lease(s) that expire on various dates. The Company's total commitments of these leases, inclusive of occupancy cost, are as follows:

|            |                     |
|------------|---------------------|
| 2016       | \$ 2,886,253        |
| 2017       | 3,149,468           |
| 2018       | 3,216,202           |
| 2019       | 2,618,305           |
| 2020       | 1,974,877           |
| Thereafter | 5,087,330           |
| Total      | <u>\$18,932,435</u> |

The Company signed an offer to lease on a new property effective June 1, 2015. The existing lease on the Company's former office and warehouse facilities were subleased to a third party though the remaining lease period. The net impact to the Company for the prior lease will be zero over the remaining three and a half years, after cost of subletting. The new lease will be for ten years, and have a basic rent of \$37,542 per month, an increase of \$16,960 per month.

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### 20. 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 2015 or 2014.

The Company's capital structure is as follows:

|                      | <b>2015</b>  | <b>2014</b>  |
|----------------------|--------------|--------------|
| Current assets       | 35,908,724   | 16,392,345   |
| Long term assets     | 14,376,669   | 5,221,238    |
| Current liabilities  | (8,719,675)  | (14,141,452) |
| Long-term borrowings | (25,050,270) | (3,089,620)  |
| Shareholders' equity | 16,515,448   | 4,382,511    |

The Company is exposed to externally imposed capital requirements as detailed in Note 12. As at December 31, 2015 the Company was in compliance with these requirements.

### 21. 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 instrument approximates a market rate of interest and interest rates have not changed materially during 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 \$50,000.

- 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 has no foreign currency transactions and therefore is not exposed to currency risk

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

#### (b) Market risk (continued)

- 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 trade accounts receivable and work in progress. The carrying amount of accounts receivables and work in progress totaling \$24,033,385 (2014 - \$14,391,734) represents the maximum credit exposure. A significant portion of the trade accounts receivable 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 receivables are from well-established, Canadian clients, 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.

#### (d) Concentration risk

The Company does have concentration risk. Concentration risk is the risk that a customer has more than ten percent of the total accounts receivable 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 or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. At December 31, 2015, receivables from 3 customers (November 30, 2014 – 3 customers) comprised approximately 95% (November 30, 2014 – 99%) of the total outstanding receivables. One particular customer's account represents 57% (November 30, 2014 – 58%) of the total outstanding receivables at December 31, 2015. The Company reduces this risk by regularly assessing the credit risk associated with these accounts and closely monitoring any overdue balances.

#### (e) Liquidity risk

The Company does have a liquidity risk with credit facilities of \$337,461, (2014 -\$7,088,274), accounts payable and accrued liabilities of \$4,961,331 (2014 - \$5,339,699) and current portion of obligations under finance leases of \$2,013,652 (2014 - \$1,120,227). 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:

|  | <u>1 year</u> | <u>2 to 5 years</u> | <u>&gt;5 years</u> | <u>Total</u> |
|--|---------------|---------------------|--------------------|--------------|
| Accounts payable and accrued liabilities | 4,961,331     | -                   | -                  | 4,961,331    |
| Debentures and other debt                | 42,149        | 943,020             | -                  | 985,169      |
| Long-term debt                           | -             | 20,000,000          | -                  | 20,000,000   |
| Finance lease obligations                | 2,013,652     | 5,177,264           | -                  | 7,190,916    |

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### 22. Contingent liabilities

Legal proceeding commenced against the Company for breach of contract and breach of obligation. For these claims, the plaintiff is seeking payment from the Company for damages. The legal claim is ongoing and management believes that there is a low likelihood that there will be an economic outflow as a result of the claim. There were no accruals made for these amounts in the financial statements.

### 23. Finance expense

|                                       | December 31,<br>2015 | November 30,<br>2014 |
|---------------------------------------|----------------------|----------------------|
| Accretion                             | 43,137               | -                    |
| Interest on finance leases            | 275,430              | 84,851               |
| Interest on credit facilities         | 346,918              | 404,628              |
| Interest on debentures and other debt | 24,554               | -                    |
| Interest on long-term debt            | 203,019              | -                    |
| Other                                 | 83,402               | 45,744               |
|                                       | <u>976,460</u>       | <u>535,223</u>       |

### 24. Costs associated with reverse take-over

|                   | December 31,<br>2015 | November 30,<br>2014 |
|-------------------|----------------------|----------------------|
| Finders' fee      | 905,529              | -                    |
| Professional fees | 155,560              | -                    |
|                   | <u>1,061,089</u>     | <u>-</u>             |

### 25. Subsequent events

On March 4, 2016, the Company granted 2,000,000 stock options to an arms-length consultant. 1,000,000 options are exercisable at \$0.135, 500,000 options exercisable at \$0.15 and the remaining 500,000 options are exercisable at \$0.17. Each option is exercisable at any time until March 3, 2018.

On March 10, 2016, the Company acquired all of the issued and outstanding securities of Mega Diesel Excavating Ltd. from two arm's length parties for an aggregate purchase price of \$2,526,160 of which \$2,120,000 was paid on closing and the balance of \$406,160 is payable on July 10, 2017. As at the date of approval of these consolidated financial statements the accounting for the transaction is not yet complete and therefore all of the disclosures required by IFRS 3 are not yet available.