



DISTINCT INFRASTRUCTURE GROUP INC.

MANAGEMENT

DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED SEPTEMBER 30, 2016

Dated November 17, 2016

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#### **Disclosure Regarding Forward-Looking Statements**

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

## MANAGEMENT DISCUSSION & ANALYSIS FOR THE PERIOD ENDED SEPTEMBER 30, 2016

### Notice to Reader

Management has compiled the condensed interim consolidated financial statements of Distinct Infrastructure Group Inc., ("DIG" or the "Company") consisting of the Condensed Consolidated Interim Statement of Financial Position, the Condensed Consolidated Interim Statements of Comprehensive Income/(Loss), Condensed Consolidated Interim Changes in Equity, and Condensed Consolidated Interim Statement of Cash Flows for the period ended September 30, 2016. All amounts are stated in Canadian Dollars unless otherwise specified.

The following Management Discussion and Analysis ("MD&A") of Distinct Infrastructure Group Inc. financial condition and results of operations, prepared as of September 30, 2016, should be read in conjunction with the consolidated audited financial statements of the Company for the thirteen (13) months ended December 31, 2015, which are incorporated by reference herein and form an integral part of this MD&A.

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

### Cautions Regarding Forward-Looking Statements

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

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

Forward-looking statements involve significant risk, uncertainties and assumptions. Many factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and readers should not place undue reliance on the forward-looking statements. Although the forward-looking

statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A, and the Company assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

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

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

## OVERVIEW OF DISTINCT INFRASTRUCTURE GROUP INC.

### Who We Are

- Distinct Infrastructure Group Inc. ("DIG" or "Company") is a Canadian company founded in April 2007 and is a design, engineering, construction and maintenance Company. The Company is publicly traded on the TSX Venture Exchange ("TSXV") as of August 24, 2015 under the symbol "DUG". The Company's principal address and registered office of records is located at 77 Belfield Road, Toronto, Ontario, M9W 1G6, with operational offices in Toronto, Calgary, Sherwood Park (Alberta) and Regina.
- The Company's primary focus is the Ontario and Alberta economic landscape of opportunity in infrastructure, utilities and telecommunication. All levels of government have made significant multi-year financial commitments to maintain and improve existing infrastructure, while aggressively pursuing new infrastructure over the next 20 years.
- The Company has grown revenue and EBITDA from \$8.7 million and \$900 thousand in 2010, respectively, to \$37.1 million and \$5.6 million in fiscal year 2015 (\$6.8 million adjusted EBITDA).
- The Company employed approximately 380 people across Canada and had approximately 400 units of rolling stock as at September 30, 2016 compared to approximately 170 full time employees and 200 units of rolling stock as at August 31, 2015.

**Note:** EBITDA and Adjusted EBITDA are non-GAAP/IFRS figures. Management believes that, in addition to net earnings, EBITDA and Adjusted EBITDA are useful measures as they provide an indication of the results generated by the Company's principal business activities. Adjusted EBITDA is calculated as EBITDA plus one-time costs relating to financing and public listing activities.

## Mission Statement

We aspire to be the recognized leader in design, engineering and construction services for infrastructure and communication companies in North America. We strive to build long term relationships by exceeding client expectations with a focus on safety, quality and economic competitiveness.

## Vision

DIG continues to grow by investing in its people, technology, systems and partners. We continuously adapt our business to our clients' needs and be responsive to opportunities that leverage our skills and relationships.

## Values

### Health & Safety

We are committed to the protection of the health and safety of our employees and the general public. We believe that incidents and injuries are preventable, and have developed a proud culture in which all employees, partners, contractors and subcontractors share this commitment for health and safety.

### Integrity

We act with integrity and operate at the highest standards of moral and ethical values. DIG is built on traditional values inherited from its founders. Long term relationships are the heart of our business, and integrity and trust are the foundation to these relationships.

### Quality

Client satisfaction is delivered by exceeding client expectations. We continually invest in our people, ensure our fleet is state of the art and that our systems can deliver work on time and on budget.

### Commitment

Our employees are our greatest asset and allow DIG to deliver on its Mission and Vision which result in highly valued long term relationships. We pride ourselves on our reputations and the resulting relationships.

## Acquisitions

1. On May 1, 2015, the Company acquired all the issued and outstanding shares of DC Connections Inc. ("DC"), a St. Albert, Alberta-based telecom construction company similar in nature to DistinctTech Inc. ("DistinctTech"). The Company acquired the assets and business of DC for \$188,236 in cash. DC is an operating company in Alberta and as such met the definition of a business under IFRS 3. The assets and liabilities of DC are included in the consolidated statement of financial position at their book values which approximate their fair market value on closing of the transaction. Share capital and retained earnings of the acquired company were eliminated on consolidation. The DC acquisition was an arm's length transaction. There were no related parties

to the Company involved in the transaction.

- The Company completed a three-cornered amalgamation on August 13, 2015, pursuant to a definitive amalgamation agreement dated June 29, 2015. As a result of the agreement, QE2 Acquisition Corp. ("QE2") issued 217,218,927 common shares (21,727,892 post-consolidation) to the shareholders of DistinctTech, resulting in DistinctTech's shareholders controlling QE2. The transaction constitutes a reverse take-over of QE2. On August 21, 2015, QE2 changed its name to Distinct Infrastructure Group Inc. and commenced trading on the TSXV as "DUG" on August 24, 2015.

Distinct Infrastructure Group Inc. (formerly QE2 Acquisition Corp.) is treated as the acquiree and DistinctTech is treated as the acquiror. As a result, the amalgamated entity is deemed to be a continuation of DistinctTech and DistinctTech is deemed to have acquired control of the assets of the Company with the consideration of the issuance of capital, and therefore IFRS 2 Share-based Payments is applicable.

As of the date of the Transaction, there were 38,048,964 QE2 shares issued and outstanding, 1,500,000 employee options and 5,763,290 warrants.

- On March 10, 2016, the Company acquired all of the issued and outstanding shares of Mega Diesel Excavating Ltd. an Alberta based company, from two arm's length parties for an aggregate purchase price of \$2,623,307 of which \$2,121,840 was paid on closing and the balance of \$501,467 is payable on July 10, 2017. The Company also acquired cash of \$201,716 and issued 350,000 options (35,000 post-consolidation) as part of the transaction.

All common share, option and warrant figures above are presented pre-consolidation unless otherwise indicated.

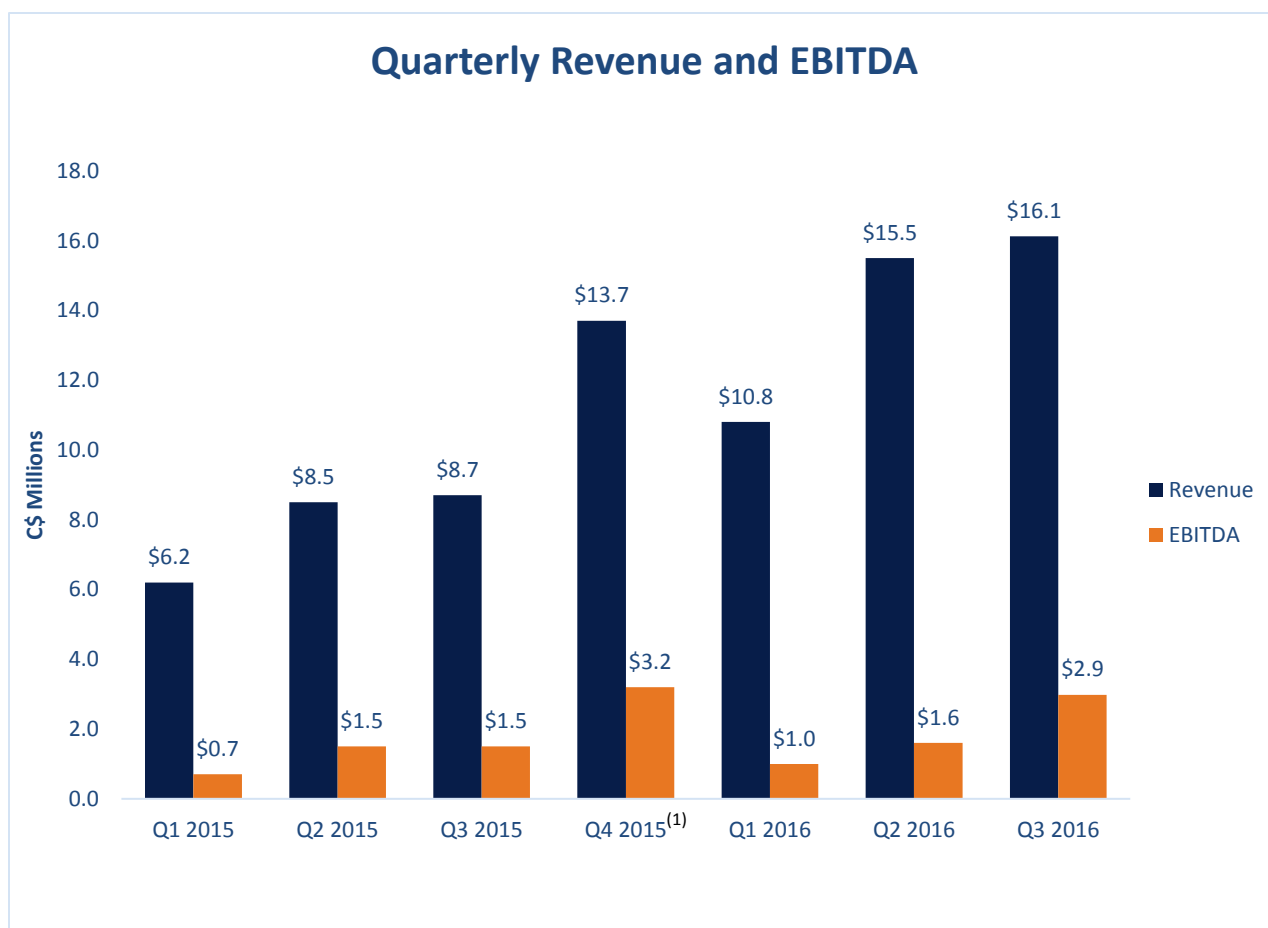
## HIGHLIGHTS FOR THE PERIOD ENDING SEPTEMBER 30, 2016

### Select Financial Information

Period ended	Three months ending September 30, 2016	Three months ending August 31, 2015	Nine months ending September 30, 2016	Nine months ending August 31, 2015
<b>INCOME STATEMENT</b>				
Revenues	16,122,306	8,727,311	42,396,036	23,399,392
Direct Costs	10,089,440	5,781,330	28,800,330	15,904,299
Gross Margin	6,032,866	2,945,981	13,595,706	7,495,093
Gross Margin %	37%	34%	32%	32%
EBITDA	2,983,872	1,466,039	5,622,076	3,643,257
Income and Comprehensive Income	1,118,846	527,587	858,865	1,337,392
Earnings Per Share – Basic	\$0.04	\$0.02	\$0.03	\$0.08
Earnings Per Share – Diluted	\$0.04	\$0.02	\$0.03	\$0.08

	Three months ending September 30, 2016	Three months ending August 31, 2015	Nine months ending September 30, 2016	Nine months ending August 31, 2015
<b>BALANCE SHEET</b>				
Total Assets			62,009,756	33,392,514
Working Capital			24,931,063	7,527,965
<b>STATEMENTS OF CASH FLOWS</b>				
Cash From Operations			(9,966,010)	(3,902,590)
Adjusted Cash From Operations <sup>(A)</sup>			5,197,846	3,824,200
Net Cash Inflow			(7,097,283)	96,895

Note: <sup>(A)</sup> Adjusted Cash From Operations is a non-IFRS figure. Adjusted Cash From Operations is calculated as the Cash Flow From Operations prior to Changes in Non-Cash Working Capital Items, Less Cash Paid For Business Acquisitions. Management believes that, in addition to Cash From Operations, Adjusted Cash From Operations is a useful measure as it provides an indication of the results generated by the Company in a low-growth environment.



Note: EBITDA and Adjusted EBITDA are non-IFRS figures. Management believes that, in addition to net earnings, EBITDA and Adjusted EBITDA are useful measures as they provide an indication of the results generated by the Company's principal business activities. Adjusted EBITDA is calculated as EBITDA plus one-time costs relating to financing and public listing activities.

(1) For the 4 months ended December 31, 2015.

## Revenue

Revenue for the third quarter ended September 30, 2016 increased to \$16,122,306 from \$8,727,311 for the third quarter ended August 31, 2015, an increase of 85% or \$7,394,995. The Company continues to see increasing demand from customers, including projects of increased scope and size. Factors that contributed to increased revenues include:

- (a) Strong demand for telecommunication infrastructure services continues to drive top line revenue figures. As well, one of the Company's largest customers has increased demand for projects & services.
- (b) The iVAC business segment has performed in-line with expectations year to date with results driven by a mix of strong internal and external growth. This business started in the fourth quarter of 2014.
- (c) The results for this period include revenues for Pillar Contracting Ltd. acquired August 2015 as part of the QE2 acquisition.
- (d) The Company acquired Mega Diesel Excavating Ltd. ("Mega Diesel") in March 2016, adding seven months of revenue to the period to date.
- (e) Western business results remain slow due to general economic conditions and a competitive western Canadian business environment. The Company expects an improvement in the fourth quarter of 2016 and modest improvement in economic outlook into mid-2017.

## Direct Costs

Direct costs for the quarter ending September 30, 2016 increased by \$4,308,110, or 75%, over the quarter ending August 31, 2015. The increase correlates to the 85% increase in revenues in the same period under review as well as a result of the Company engaging in slightly higher margin work for some of our customers, and relief from margin pressures in western Canada. Direct costs are made up of materials, labour, and overhead. Direct costs were 63% of revenues for the quarter ended as compared to 66% for the quarter ended August 31, 2015. Following the addition of over 100 employees during the first half of 2016 DIG has reduced several of the costs associated with this hiring process including recruitment and field training cost. As well, any inefficiencies in the field associated with this hiring process have been addressed and have resulted in lower direct costs as a percentage of overall revenue during the period under review.

## Operating Expenses

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

Particulars	Nine months ending September 30, 2016	Nine months ending August 31, 2015
Salaries And Wages	5,380,946	1,724,002
Communication Expense	104,295	50,032
Bank Charges And Other Related Costs	22,717	21,969

Particulars	Nine months ending September 30, 2016	Nine months ending August 31, 2015
Advertising And Promotion	411,897	464,946
Professional Fees	250,644	337,020
Occupancy Costs	447,508	73,526
Insurance Expense	150,206	54,293
Office Expense	235,718	123,241
Information Technology Costs	320,027	176,350
Travel Expense	468,429	81,906
Corporate	115,855	668,654
Other Expenses	65,388	75,897
Depreciation And Amortization	2,002,945	906,520
Interest On Capital Leases And Other Finance Costs	347,395	400,364
Loan Interest	2,295,675	234,397

## Salaries and Wages

Salaries and wages are comprised of staffing costs associated with our operations center, control center, finance, HR, IT, customer service, corporate and administrative personnel. Salaries for the nine months ended September 30, 2016 were \$5,380,946 compared \$1,724,002 for the nine months ended August 31, 2015. This was due mainly to the Company's organic growth and to the inclusion of the acquisition in the period. The nine months ending September 30, 2016 included the operations of two new subsidiaries that were acquired by the Company in the second half of 2015 and early 2016. The Company continues to invest in training of staff to implement its systems and processes across all the new business units.

## Communication Expense

Communication expense includes cellular, telephony and fax expenses. This category of expense increased to \$104,295 compared to \$50,032 in the year-ago comparable period. The Company's acquisitions and the organic growth of its core business segments account for this increase. The Company is committed to ensuring operating expenses are controlled.

## Bank Charges and Other Related Costs

Bank Charges and Other Related Costs increased by \$748 as compared to the same period in 2015.

## Advertising and Promotions

This category of costs decreased to \$411,897, a decrease of \$51,994 as compared to the nine months ending August 31, 2015. The Company continues to promote its existing and new service offerings as well as investor relations ("IR") related promotional costs and charitable program funding. The Company continues to make contributions to the community in the form of various sponsorships and charitable



contributions. The Company will continue to spend prudently on this category to ensure relationships and partnerships are acquired and managed.

### Professional Fees

Professional fees decreased by \$86,376 or 26%. This change is mainly attributed to a decrease in consulting and business advisory fees incurred during the nine months ending September 30, 2016. Professional fees include: legal, accounting, outsourced HR recruiting, and other specialized professional services that have been outsourced.

### Occupancy Costs

Occupancy costs increased to \$447,508 for the nine months ending September 30, 2016 as compared to the nine months ending August 31, 2015. In June 2015, the Company moved into a new location in Etobicoke, Ontario with a larger office and warehouse space to accommodate the Company's growth. Additionally, the Company leased office and warehouse space in Sherwood Park, Alberta for the acquisitions that have taken place in Western Canada. The Company was given several months of rent free on the new Etobicoke facility during the prior-year period.

### Insurance

Insurance expense increased to \$150,206 from \$54,293 when compared to the nine months ending August 31, 2015. The increase was due mainly to additions to the Company's fleet, and equipment. These costs are in direct correlation with the size of the fleet.

### Office Expenses

Office expenses increased to \$235,718 from \$123,241. This increase was mainly a result of increased staffing and growth of the Company's operations in Ontario and Western Canada when compared to the nine months ending August 31, 2015.

### Information Technology Costs

The Company continues to invest in its information technology platforms, which we believe creates both value and efficiencies in the organization. IT costs increased by \$143,677 during the nine months ending September 30, 2016 over the nine months ending August 31, 2015. The Company made significant investments in this area to automate processes in the Company's various departments. This has already started to yield benefits of increasing efficiencies and reducing processing times for invoicing, collections, purchasing and operations. During the fourth quarter of 2015, the Company implemented a new ERP system in its main business unit and has implemented this system in all of its businesses at the end of the first half of 2016. These investments create a differentiator for the Company in its project management and operations groups, and are important to ensure that the Company can continue to scale its operations and integrate its acquisitions in a timely and efficient manner. In addition, costs associated with the one-time setup of the Sherwood Park facility contributed to this increase.

## Travel Expenses

Travelling expenditure increased by \$386,523 to \$468,429 for the nine months ending September 30, 2016 as compared to the nine months ending August 31, 2015. This increase was due to travelling costs associated with the new operations in Western Canada, the acquisition of QE2 and Mega Diesel, business development initiatives in the west, and the company's new IR program.

## Corporate

Corporate expense declined to \$115,855 when compared to the third quarter ending August 31, 2015. The Company incurred expenses relating to the reverse takeover of QE2 Acquisition Corp. in August 2015. These costs included legal, regulatory, accounting and other fees associated with the go-public transaction.

## Other Expenses

Other expenses decreased by \$10,509 to \$65,388 for the nine months ending September 30, 2016 from \$75,897 during the nine months ending August 31, 2015.

## Amortization of Property, Plant and Equipment

Amortization of property, plant and equipment for the nine months ended September 30, 2016 increased by \$1,096,424 as compared to the nine months ending August 31, 2015. This was due to additional leased capital assets, in particular, the increased number of hydrovac units. As well, the acquisitions of QE2 and Mega Diesel contributed to this increase. The Company plans on adding to its fleet of equipment and vehicles in the first half of 2017 as the Company continues to grow to meet customer demand.

## Interest on Capital Leases and Other Finance Costs

These expenses decreased by \$52,969 or 13% for the nine months ended September 30, 2016 to \$347,395. This decrease was due to a reduction in the interest on the principle amount outstanding under capital leases.

## Loan Interest

Loan interest increased to \$2,295,675 as compared to \$234,397 for the nine month period ending August 31, 2015. This increase was due mainly to interest costs associated with a new long-term loan agreement with Crown Capital as well as an increase in interest costs associated with the Company's line of credit.

## Quarterly Results

	Three Months ended September 30, 2016	Three Months ended June 30, 2016	Three Months ended March 31, 2016	Four Months ended December 31, 2015
<b>INCOME STATEMENT</b>				
Revenues	16,122,306	15,514,275	10,759,455	13,704,896
Expenses <sup>(1)</sup>	13,877,115	14,637,517	10,262,273	12,418,490
Net and comprehensive income/(loss)	1,118,846	10,744	(270,725)	933,009
Earnings per share – basic	0.04	0.00	(0.01)	0.04

	Three Months ended August 31, 2015	Three Months ended May 31, 2015	Three Months ended February 28, 2015	Three Months ended November 30, 2014
<b>INCOME STATEMENT</b>				
Revenues	8,727,311	8,507,528	6,164,553	7,412,125
Expenses <sup>(1)</sup>	7,565,160	7,523,230	5,574,447	6,153,742
Net and comprehensive income/(loss)	527,587	603,887	205,918	858,529
Earnings per share – basic	0.02	0.04	0.01	0.06

(1) Excludes interest expense and income taxes

## RESULTS OF OPERATIONS

The Company reported net earnings for the quarter ending September 30, 2016 of \$1,118,846 as compared to net income of \$527,587 for the quarter ending August 31, 2015. The Company also recorded net income of \$858,865 for the nine months period ending September 30, 2016 as compared to net income of \$1,337,392 for the nine month period ending August 31, 2015.

The increase in net income for the quarter was a result of a business ramp up in the Company's core markets and improved operating efficiencies as new employee hires are trained and become fully productive. The Company continues to invest in business development in this area and there are signs that this geographical segment should see an increased volume of projects into 2017. Historically, the Company's performance is better in the second half of the fiscal year.

Revenue for the quarter ending September 30, 2016 was \$16,122,306 as compared to \$8,727,311 for the third quarter of 2015. Organic growth accounted for the majority of this increase as the Company procured additional projects and continues its book of business with its key customers in the telecommunications sector.

Expenses for the quarter ending September 30, 2016 were \$13,877,115 as compared to \$7,565,160 for the second quarter in 2015. This increase in expenses was due to costs associated with revenue volume growth and business development.

## Liquidity and Capital Resources

As at September 30, 2016, the Company had cash and cash equivalents of \$1,437,386 compared to \$8,534,669 as at December 31, 2015. Work in progress was \$19,994,851 at September 30, 2016 compared to \$9,074,081 as at December 31, 2015, due mainly to increased volumes of work the Company carried out during the period. Total current assets amounted to \$43,079,237 (December 31, 2015 – \$35,908,724) with current liabilities of \$18,148,174 (December 31, 2015 – \$8,719,675) resulting in a working capital balance of \$24,931,063 (December 31, 2015 – \$ 27,189,049). The nature of the work being issued to the Company by its biggest customer has been changing in 2016, with projects becoming larger and of a longer duration. This change in the mix of work has required an investment in working capital by the Company, as seen in our AR and WIP balances at the end of the period. As a result of the significant increases in the volume of work, the Company has experienced challenges receiving work approvals as well as receiving payment in an appropriate timeline. DIG management is actively working with its clients to streamline the approval process with a view towards improving work approval cycles. The Company expects to have more visibility on these initiatives in the first half of 2017.

The Company has a revolving loan with a major bank for a maximum of \$8,500,000. As at September 30, 2016, the balance of the loan was \$7,980,000 (December 31, 2015 – \$nil). The bank loan is due on demand, bears interest at the Bank's prime lending rate plus 2% per annum, and is secured by a general security agreement.

## Convertible Debentures

The Company had convertible debentures valued at \$921,904 that were inherited on the acquisition of QE2. On August 11, 2015, pursuant to a supplemental indenture, the debenture holders agreed to reduce the interest rate on the original convertible debentures from 12% to 8% per annum and extend the maturity date from October 20, 2016 to October 20, 2018. Interest is paid semi-annually and is accrued by the Company until paid. As at September 30, 2016, accrued interest was \$19,980.

## Long Term Debt

- (a) In November 2015, the Company entered into a credit agreement with Crown Capital Fund IV, LP ("Crown") for a \$20,000,000 term loan ("Debt") for the purposes of future acquisitions. The term loan has an aggregate amount of \$20,000,000 outstanding and bears interest at a fixed interest rate of 10% per annum payable in arrears and payable monthly, maturing in 60 months. The Company has, under the term loan, the option to prepay as follows: After 18 months have lapsed, subject to a prepayment fee ranging from 1% to 3%, the Company has the option to prepay in increments of \$1,000,000 (for clarity, the 1% to 3% prepayment fee will apply to a maximum principal amount of \$20,000,000).

The Debt is secured by the following: (i) a second-ranking general security agreement over all present and after-acquired property of the Company subject to first priority on the general security agreement held by another party; (ii) a securities pledge agreement from each obligator constituting a second-ranking lien (subject to permitted liens) on all equity interests such obligator owns in another obligator; and (iii) all share certificates, stock powers of attorney, promissory notes, consents, authorizations and other documents necessary in order to make the agreement valid and effective.

On June 30, 2016 the Company amended the financial covenants in connection with the long-term debt. The debt service coverage ratio (DSCR) has been waived through to December 31, 2017. In addition, the net debt to EBITDA (earnings before interest, tax, depreciation and amortization) ratio has been adjusted. Beginning September 30, 2016 through to March 30, 2018 the ratio applicable shall be 4.00:1.0; for the period of March 31, 2018 to June 30, 2018 the ratio shall be 3.50:1.0 and July 1, 2018 and thereafter shall revert to 3.00:1.0. The rate of interest for the period of September 30, 2016 to July 1, 2018 was adjusted and will range between 10%-12%, based on a sliding scale. As consideration for the covenant amendment the Company issued 2,000,000 common shares (200,000 post-consolidation) at a price of \$0.125 per share on July 6, 2016. The cost of the common shares will be expensed over the term of the amendment starting in July 2016. All common share, option and warrant figures above are presented pre-consolidation unless otherwise indicated.

The Company was not in breach of its debt covenants at September 30, 2016.

- (b) In March 2016 the Company acquired Mega Diesel Excavating Ltd for \$2,623,307. The Company paid cash of \$2,121,840 on closing with the balance of \$501,467 payable on July 10, 2017.

## BALANCE SHEET VARIATIONS

### Current Assets

Current assets, which includes cash, trade receivables, work in progress, and prepaid expenses increased by \$7,170,513 to \$43,079,237 as at September 30, 2016, as compared to \$35,908,724 for the period ended December 31, 2015. The increase is due primarily to the increase in accounts receivable and work in progress related to increased business activities in our main line of business, partially offset by reduced cash on hand due to the need to finance the working capital requirements.

### Non-Current Assets

Non-current assets, which includes property and equipment, goodwill and assets under capital lease, increased by \$4,553,850 since December 31, 2015. The increase is primarily due to additional leased equipment and vehicles and the recognition of goodwill on the acquisition of Mega Diesel Excavating Ltd. The Company will continue to make investments in equipment and vehicles in 2017 as the business continues to grow.

### Current Liabilities

Current liabilities, which includes accounts payable and accrued liabilities, debentures and other debt and obligations under finance leases, income taxes payable and credit facilities, increased by \$9,428,499 since December 31, 2015, due primarily to an increase in credit facilities and increases in accounts payable.

### Non-Current Liabilities

Non-current liabilities include long term debentures and other debt, long-term debt and obligations under finance leases. Non-current liabilities increased by \$697,774 from December 31, 2015. The increase is due

primarily to capital leases acquired through the Mega Diesel acquisition and the promissory note for the Mega Diesel acquisition.

### Off-Balance Sheet Arrangements

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

## TRANSACTIONS WITH RELATED PARTIES

### Due from Related Party

ABL provides engineering services to the Company. Transactions between the parties are incurred in the normal course of business. During the nine months, the Company has recorded services on a pass through basis of \$260,764 (2015 – \$326,157). As at September 30, 2016, \$1,584,652 (December 31, 2015 – \$1,821,789) remains receivable. The shareholders of ABL have provided personal guarantees up to \$2,000,000 and ABL will repay amounts outstanding on or before August 23, 2018. There will be no additional advances to related parties in the normal course of business.

### Due from Shareholders

Receivables outstanding from two majority shareholders and co-chief executive officers of the Company amounts to \$177,631 (2015 – \$225,631). The outstanding amounts will be repaid over the next fifteen months, is personally guaranteed by the shareholders and bears interest at the Bank of Canada's prime rate plus 1% per annum.

### 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 \$561,538 was paid for the nine months ending September 30, 2016 (August 31, 2015 – \$462,322).

The Company pays its other key management personnel by way of management services agreement(s) with companies controlled by these individuals. Payments totalling \$733,346 was paid for the nine months ending September 30, 2016 (August 31, 2015 – \$292,500).

### Critical Accounting Estimates

The Company's financial statements are impacted by the accounting policies used and the estimates and assumptions made by management during their preparation. The Company's accounting policies are described within the financial statements. The accounting estimates considered to be significant to the Company include the computation of agents' warrant values, charitable stock option and stock-based compensation expenses and the recovery of future income tax assets.

## Changes in Accounting Policies

The Company made no significant changes to its accounting policies during the second quarter of 2016. As of the third quarter of 2015, the Company has prepared its financial statements with prior year comparison as mandated by the International Financial Reporting Standards.

## Financial Instruments and Other Instruments

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

## Fair Values

The estimated fair value of cash, accounts receivable, work in progress, borrowings and finance leases approximates their carrying values due to the relatively short-term nature of the instruments. The fair value of accounts payables and accrued liabilities approximates their fair values due to the requirement to extinguish the liabilities on demand.

## Financial Risk Management Objectives and Policies

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

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

### Credit Risk

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

### Liquidity Risk

The Company has liquidity risk associated with credit facilities of \$8,213,602, (December 31, 2015 – \$337,461), accounts payable and accrued liabilities of \$6,251,497 (December 31, 2015 - \$4,961,331) and current portion of obligations under finance leases of \$2,774,834 (December 31, 2015 – \$2,013,652). 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, maintaining an adequate line of credit to repay trade creditors and

repaying long-term debt interest and principal as scheduled.

Undiscounted cash outflow of financial liabilities based on maturity date are as follows:

	1 year	2 to 5 years	>5 years	Total
Accounts payable and accrued liabilities	6,251,497	-	-	6,251,497
Credit facilities	8,213,602	-	-	8,213,602
Debentures and other debt	33,797	1,472,577	-	1,506,374
Long-term debt	-	20,000,000	-	20,000,000
Finance lease obligations	2,774,834	5,410,830	-	8,185,664

## Fair Value Hierarchy

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

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

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

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

All of the Company's cash is level one as per the fair value hierarchy included in IFRS.

## CAPITAL MANAGEMENT

The Company's primary objectives when managing capital are to continue the development of the business and support 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 the future development of the business and continued growth.

The Company includes equity, comprised of issued capital stock, warrants and conversion rights and deficit, in the definition of capital. The Company is dependent on internal as well as external financing to fund its activities. In order to carry out planned business activities and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

## Capital Structure

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



On 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 (15,100,000 post-consolidation) 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 (5,556,564 post-consolidation) (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 20<sup>th</sup> 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 costs of \$535,132 and issued 4,317,252 broker warrants (431,725 post-consolidation) ("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.

All common share, option and warrant figures above are presented pre-consolidation unless otherwise indicated.

On September 2, 2016 the Company announced the consolidation of its common shares on a 10 for 1 basis. The consolidated common shares commenced trading on the TSX Venture Exchange on September 6, 2016. Following consolidation there were 26,776,789 common shares issued and outstanding.

The total DIG common shares outstanding as at September 30, 2016 was 26,776,789 and the fully diluted in-the-money shares was 26,982,814.

## OTHER MD&A REQUIREMENTS

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

The Company has evaluated the effectiveness of its disclosure controls and procedures, as defined, and has concluded that they were effective as of the end of the period covered by this MD&A, as well as of the date of this MD&A. The Company has evaluated its internal controls and financial reporting procedures and have found them to be effective with the objective of reporting the Company's financial transactions.

## SUBSEQUENT EVENTS

On October 1, 2016, the Company granted 200,000 stock options to an arms-length consultant. 100,000 options are exercisable at \$1.40, and 100,000 options are exercisable at \$1.60. Each option is exercisable at any time until August 30, 2018.