DISTINCT INFRASTRUCTURE GROUP INC.

Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2017 and March 31, 2016

(Unaudited, expressed in Canadian Dollars)

Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements

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

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

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

"Joe Lanni"
……………………………………
Joe Lanni
Chief Executive Officer
Toronto, Ontario
May 25, 2017

"Alex Agius"
……………………………………
Alex Agius
Chief Executive Officer
Toronto, Ontario
May 25, 2017

"Manny Bettencourt"
……………………………………
Manny Bettencourt
Chief Financial Officer
Toronto, Ontario
May 25, 2017

Distinct Infrastructure Group Inc.

Table of Contents

	Notes	March 31, 2017 $	December 31, 2016 $ (Audited)
ASSETS			
Current assets			
Cash		6,918,580	9,448,829
Accounts receivable		26,388,461	23,684,358
Inventory		246,376	246,368
Prepaid expenses and deposits		843,490	560,430
Work in progress		21,156,542	20,864,883
Due from shareholders	**12**	125,631	149,631
Due from related party	**12**	250,000	250,000
Total current assets		**55,929,080**	**55,204,500**
Non-Current Assets			
Deposit		105,000	105,000
Property and equipment	**4**	12,522,373	13,158,544
Goodwill	**5**	5,109,214	5,109,214
Due from related party	**12**	1,175,259	1,215,970
Total non-current assets		**18,911,846**	**19,588,728**
TOTAL ASSETS		**74,840,926**	**74,793,228**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Credit facilities	**6**	9,999,975	9,999,975
Accounts payable and accrued liabilities		7,239,149	6,503,980
Current portion of debentures and other debt	**7**	564,877	534,411
Income taxes payable		1,282,119	1,270,048
Current portion of finance lease obligations	**9**	2,866,274	3,106,304
Total current liabilities		**21,952,394**	**21,414,718**
Non-current liabilities			
Debentures and other debt	**7**	905,663	937,073
Long-term debt	**8**	18,963,971	18,877,433
Finance lease obligations	**9**	4,194,243	4,709,149
Total non-current liabilities		**24,063,877**	**24,523,655**
TOTAL LIABILITIES		**46,016,271**	**45,938,373**
Shareholders' equity			
Share Capital		21,219,696	21,104,399
Contributed surplus	**10**	316,867	286,958
Retained earnings		7,288,092	7,463,498
Total shareholders' equity		**28,824,655**	**28,854,855**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**74,840,926**	**74,793,228**

Subsequent Events (Note 17)

"Alexander Agius"	"Joe Lanni"
Director	Director

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

	Notes	March 31, 2017 $	March 31, 2016 $
Revenue		16,042,343	10,759,455
Expenses			
Direct costs		11,718,797	7,668,678
Selling, general and administrative		2,761,356	2,061,316
Depreciation	**4**	658,426	532,279
Total expenses		15,138,579	10,262,273
Earnings from operations		903,764	497,182
Other expenses			
Finance Expense		1,009,357	767,907
		1,009,357	767,907
Loss before taxes		(105,593)	(270,725)
Income tax provision		69,813	-
Net and comprehensive loss		**(175,406)**	**(270,725)**
Loss per share:			
Basic and diluted	**11**	**(0.00)**	**(0.01)**

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

	Notes	March 31, 2017 $	March 31, 2016 $
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES			
OPERATING			
Net Income		(175,406)	(270,725)
Items not affecting cash			
Accretion		96,483	58,979
Share based compensation	**10**	29,909	21,412
Depreciation	**4**	658,426	532,279
		609,412	341,945
Changes in non-cash working capital items			
Accounts receivable		(2,704,103)	1,107,038
Inventory		(8)	(1,625)
Work in progress		(291,659)	(5,222,188)
Prepaid expenses and deposits		(283,060)	(160,401)
Accounts payable and accrued liabilities		735,169	439,802
Income taxes paid		12,071	(630)
Cash flows used in operating activities		(1,922,178)	(3,496,058)
INVESTING ACTIVITIES			
Purchase of property and equipment		(22,255)	(102,773)
Cash paid for business acquisitions, net of cash acquired	**3**	-	(1,899,334)
Cash flows used in investing activities		(22,255)	(2,002,107)
FINANCING ACTIVITIES			
Repayment from shareholder		24,000	-
Proceeds from credit facilities	**6**	-	2,214,377
Repayment of debentures and other debts		(10,888)	(15,790)
Repayment/advances from/to related parties		40,711	95,432
Payment of obligations under finance lease	**9**	(754,936)	(866,864)
Issuance of shares, net of shares issuance costs	**10**	115,297	-
Cash flows (used in) provided by financing activities		(585,816)	1,427,155
NET CASH INFLOW		(2,530,249)	(4,071,010)
CASH, BEGINNING OF PERIOD		9,448,829	8,534,669
CASH, END OF PERIOD		6,918,580	4,463,659

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

	Issued share capital		Contributed	Retained	
	No. of shares [1]	Amount	surplus	earnings	Total equity
Balance, December 31, 2015	**26,326,789**	**9,819,050**	**43,489**	**6,652,909**	**16,515,448**
Issuance of options	-	-	21,567	-	21,567
Share-based compensation	-	-	21,412	-	21,412
Net and comprehensive loss	-	-	-	(270,725)	(270,725)
	-	-	42,979	(270,725)	(227,746)
Balance, March 31, 2016	**26,326,789**	**9,819,050**	**86,468**	**6,382,184**	**16,287,702**
Balance, December 31, 2016	**35,295,305**	**21,104,399**	**286,958**	**7,463,498**	**28,854,855**
Conversion of broker warrants to common shares	115,297	115,297	-	-	115,297
Issuance of options (Note 10 (a))	-	-	-	-	-
Share based compensation (Note 10 (a))	-	-	29,909	-	29,909
Net and comprehensive loss	-	-	-	(175,406)	(175,406)
	115,297	115,297	29,909	(175,406)	(30,200)
Balance, March 31, 2017	**35,410,602**	**21,219,696**	**316,867**	**7,288,092**	**28,824,655**

[1] On September 2, 2016 the Company consolidated its common shares on a 10 for 1 basis. All references to Share numbers reflect the consolidation.

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

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 utilities and 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 (the "Transaction"), 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 Company operates in one reportable segment: utilities construction. Products and services in the utilities segment include: Technical services and maintenance, directional drilling, underground and aerial civil construction and hydro-excavation. Services have been chosen in order to provide safe, responsive and turnkey solutions to our utility customers. The Company's utilities services across Canada share similar customer profiles, use interchangeable equipment fleets, use similar construction methods, share the same level of health and safety requirements and have similar long term economics.

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 condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements have been prepared following the same accounting principles and application methods as those disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2016. Because the disclosures provided in these condensed interim consolidated financial statements do not conform in all respects with International Financial Reporting Standards ("IFRS") for annual financial statements, these condensed interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2016.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Director of the Company on May 25, 2017.

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of Distinct Infrastructure Group Inc. and the following wholly owned subsidiaries as at March 31, 2017.

Name of subsidiary	Principal activity	Place of Business and operation	Equity interest 2016	Equity interest 2015
DistinctTech Inc.	Utilities construction	Toronto, ON	100%	100%
iVac Services West Inc.	Hydrovac services	Edmonton, AB	100%	100%
Distinct Infrastructure Group West Inc.	Utilities construction	Edmonton, AB	100%	100%
iVac Services Inc.	Hydrovac services	Toronto, ON	100%	100%
QE2 Holding Corp.	Inactive	Edmonton, AB	100%	100%
Distinct Environmental Solutions Inc.	Inactive	Toronto, ON	100%	100%

On January 2, 2017, iVac Services West Inc. was created as result of the amalgamation between iVac Services Inc. (Alberta) (Formerly Candesto Enterprises Ltd.) and Mega Diesel Excavating Ltd. As well, Distinct Infrastructure Group West Inc. was created as a result of the amalgamation between Pillar Contracting Ltd. and Distinct Infrastructure Group (Alberta) Inc. (Formerly DistinctTech Inc. (Alberta)).

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

Basis of preparation

The condensed interim 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 in 2015. The condensed interim consolidated financial statements have comparatives of three months ending March 31, 2017 to the three months ending March 31, 2016.

3. Business combinations

(i) Acquisition of Mega Diesel Excavating Ltd.

On March 10, 2016, the Company acquired all of the issued and outstanding shares of Mega Diesel Excavating Ltd. ("Mega") from two arm's length parties for an aggregate purchase price of $2,637,766 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 35,000 options as part of the transaction (Note 10 (a)).

The Company has made a preliminary determination of the fair value of the tangible and intangible assets acquired and liabilities assumed in the acquisition. 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:

The total purchase price has been allocated as follows:

Fair value of net assets acquired:	
Net working capital	687,279
Property and equipment	2,753,095
Obligation under finance lease	(1,808,955)
Long term debt	(24,168)
Total net assets acquired	**1,607,251**
Consideration given:	
Cash	2,121,840
Promissory note	501,467
Options	14,459
Total Consideration:	**2,637,766**
Goodwill	**1,030,515**

The Company acquired Mega Diesel Excavation Ltd. in order to access its customer list and existing specific relationships in the refinery and pipeline space as well as to provide additional capacity in Western Canada.

4. Property and equipment

	Office and computer equipment	Machinery, Vehicles and Equipment	Construction equipment under finance lease	Total
Cost				
Balance December 31, 2016	1,055,105	3,122,441	15,775,744	19,953,290
Additions	4,545	20,158	-	24,703
Disposals	-	(2,448)	-	(2,448)
Balance March 31, 2017	1,059,650	3,140,151	15,775,744	19,975,545
Accumulated Depreciation				
Balance December 31, 2016	360,066	864,645	5,570,035	6,794,746
Change for the period	38,427	107,021	512,978	658,426
Disposals	-	-	-	-
Balance March 31, 2017	398,493	971,666	6,083,013	7,453,172
Net book value				
December 31, 2016	**695,039**	**2,257,796**	**10,205,709**	**13,158,544**
March 31, 2017	**661,157**	**2,168,485**	**9,692,731**	**12,522,373**

5. Goodwill

	March 31, 2017	December 31, 2016
Balance, beginning of the period	$5,109,214	$4,078,699
Acquisition (note 3 (i))	-	1,030,515
Balance, end of period	$5,109,214	$5,109,214

6. Credit facilities

The Company has credit facilities available from the following financial institutions as at March 31, 2017:

- *Royal Bank of Canada*
  Demand revolving operating loan with a maximum available credit of $10,000,000 (December 31, 2016 - $10,000,000). The operating loan is due on demand, bears interest at Royal Bank's prime lending rate plus 2% per annum (December 31, 2016 – 2% per annum) and is secured by a general security agreement, a guarantee signed by the Company, and the Crown Intercreditor Agreement. The facility also includes a corporate expense credit card facility to a maximum of $275,000 (December 31, 2016 - $275,000). As of March 31, 2017, this operating loan had a balance of $9,999,975 (December 31, 2016 - $9,999,975).

7. Debentures and other debt

Debentures

	$
Balance as at December 31, 2015	**867,411**
Accretion	27,998
Balance as at December 31, 2016	**895,409**
Accretion	10,254
Balance as at March 31, 2017	**905,663**

7. Debentures and other debt *(continued from previous page)*

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

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

Other debt

As part of the Transaction, the Company assumed various loans with two Canadian financial institutions bearing fixed interest at rates ranging from 0% to 5.99% per annum, monthly payments ranging from $483 to $1,086, including interest and maturity dates ranging from November 2016 to February 2019. The principal balance outstanding at March 31, 2017 is $63,410 (December 31, 2016 - $75,608), of which $63,410 (December 31, 2016 - $33,944) is due within the next year.

As part of the Mega acquisition (Note 3 (i)), the Company provided a note of $501,467, bearing interest at 3% compounded monthly, unsecured and payable upon maturity, which is due on July 10, 2017.

8. Long-term debt

Balance as at December 31, 2015		**18,929,986**
Accretion		197,447
Financing fee paid in shares		(250,000)
Balance as at December 31, 2016	**$**	**18,877,433**
Accretion		86,538
Balance as at March 31, 2017	**$**	**18,963,971**

In November 2015, the Company closed 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 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 800,000 common shares to Crown at a price of $0.85 per share and paid a cash fee of $400,000. These amounts are being accreted over the life of the Debt.

The Debt requires the Company to comply with certain financial covenants, including a debt service coverage ratio ("DSCR") of 1.25:1.00 and a net debt to earnings before interest, tax, depreciation and amortization ("EBITDA") of 3.00:1.00 (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.

8. Long-term debt *(continued from previous page)*

On June 30, 2016, the Company amended the Financial Covenants in connection with the Debt. The DSCR has been waived through December 31, 2017. In addition, the net debt to EBITDA 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 April 1, 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. In compensation for the covenant amendment the Company issued 200,000 common shares at a price of $1.25 per share on July 6, 2016.

On March 28, 2017 the Company announced it has agreed on terms to refinance its credit facilities and long-term debt with “RBC”, its existing senior lender. DIG will consolidate all of its debt under one facility with RBC and will be exercising its option under the Crown Capital debt facility to repay the Crown debt early. By refinancing its senior long-term debt, the Company anticipates reducing its interest rate from approximately 11% to approximately 4%. The Company will complete the refinancing effective May 26, 2017.

As at March 31, 2017, the Company is in compliance with its Financial Covenants.

9. Finance lease obligations

The following is a schedule of the future minimum lease payments of the finance leases expiring at various dates, ranging from April 1, 2017 to December 31, 2020, together with the balance of the obligation:

Estimated lease payments are as follows:

	March 31, 2017	December 31, 2016
2016	$ -	$ -
2017	2,581,596	3,506,079
2018	2,793,531	2,782,338
2019	2,330,446	2,283,813
2020	188,192	193,260
Subsequent Years	-	-
	7,893,765	8,765,490
Less amount representing interest	833,248	950,037
Present value of minimum lease payments	7,060,517	7,815,453
Less current portion	2,866,274	3,106,304
	$ 4,194,243	$ 4,709,149

Interest charges to the accounts of the Company on the above during the three months ending March 31, 2017 amounts to $141,972 (March 31, 2016 – $108,108).

The finance leases have interest rates that range from 0-7% with an average interest rate of 4% (December 31, 2016 – 4%). Interest and principal payments made on finance leases for the three months ended was $754,936 (March 31, 2016 - $866,864).

10. Share-based compensation and common share purchase warrants

(a) Share options

(i) 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.

(ii) On February 9, 2017, 115,297 broker warrants were exercised at a price of $1.00 for total proceeds to the Company of $115,297. These warrants were issued as part of the Company's private placement conducted in 2015. Each warrant consists of one common share and one-half common share purchase warrant. Each whole common share purchase warrant has an exercise price of $2.00 per share and expires within 36 months of issuance.

The following tables provide a summary of the Company's stock option plan as at March 31, 2017:

	Number of share options	**Weighted average exercise price $**
Balance, December 31, 2015	**825,000**	**1.93**
Options granted on acquisition (Note 3 (i))	35,000	2.00
Options granted as compensation	200,000	1.48
Options granted as compensation	200,000	1.50
Options forfeited	(125,000)	2.00
Balance, December 31, 2016	**1,135,000**	**1.77**
Options expired	110,000	1.50
Balance, March 31, 2017	**1,025,000**	**1.80**

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:

	October 1, 2016
Risk-free interest rate	0.82%
Expected life	2 years
Expected volatility	68.42%
Dividend per share	$nil
Share price	$1.16

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

(b) Common share purchase warrants

The following tables provide a summary of the Company's common share purchase warrants outstanding as of March 31, 2017:

	Number of warrants	Weighted average exercise price $
Balance, December 31, 2015	**3,822,786**	**2.13**
Exercised broker warrants	(250,000)	1.00
Warrants issued on broker warrant exercise	125,000	2.00
Expired warrants	(315,079)	5.00
Balance December 31, 2016	**3,382,707**	**1.94**
Exercised broker warrants	(115,297)	1.00
Warrants issued on broker warrant exercise	57,648	2.00
Balance, March 31, 2017	**3,325,058**	**1.97**

11. Basic and diluted earnings per share

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

	For the three months ended March 31, 2017	March 31, 2016
Net and comprehensive loss	(175,406)	(270,725)
Average number of common shares outstanding	35,360,640	26,326,789
Effect of dilutive securities: (1)		
Options and warrants	440,728	456,025
Weighted average number of diluted common shares outstanding	35,801,368	26,782,814
Basic loss per share	(0.00)	(0.01)
Diluted loss per share (1)	(0.00)	(0.01)

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

12. 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 net transactions of $40,711 (March 31, 2016 - $80,000). As at March 31, 2017, $1,425,259 (December 31, 2016 - $1,465,970) remains receivable and is due on demand. The shareholders of ABL have provided personal guarantees up to $2,000,000 and ABL will repay amounts outstanding on or before August 23, 2018.

Due from shareholders

Receivables outstanding from two majority shareholders and co-chief executive officers of the Company amounts to $125,631 (December 31, 2016 – $149,631). The outstanding amounts will be repaid over the next twenty four months, is personally guaranteed by the shareholders and bears interest at the Bank of Canada's prime rate plus 1% per annum.

12. Related party transactions *(continued from previous page)*

Compensation of key management personnel

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

The Company pays its Co-Chief Executive Officers by way of a management services agreement(s) with companies controlled by these individuals. Payments totalling $168,462 was paid for the period ending March 31, 2017 (March 31, 2016 – $196,538). The Company pays its other key management personnel by way of management services agreement(s) with companies controlled by these individuals. Payments totalling $271,192 was paid for the period ending March 31, 2017 (March 31, 2016 - $233,975).

13. 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:

Year	Amount
2017	5,046,483
2018	5,299,012
2019	4,505,569
2020	2,761,414
2021	1,396,301
Thereafter	3,862,737
Total	22,871,516

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. That tenant gave up the sub-lease in June 2016 and DIG now house part of their operations at this location. The effect of this transaction means that DIG will assume additional basic rent of $21,054 per month.

14. 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 2017 or 2016.

The Company's capital structure is as follows:

	March 31, 2017	December 31, 2016
Current assets	$55,929,080	$55,204,500
Non-current assets	18,911,846	19,588,728
Current liabilities	(21,952,394)	(21,414,718)
Non-current liabilities	(24,063,877)	(24,523,655)
Shareholders' equity	$28,824,655	$28,854,855

15. 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 (loss) for the quarter by approximately $95,000 (March 31, 2016 – 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 enters into transactions to sell good to customers for which the related revenues, expense, accounts receivable and accounts payable balances are subject to exchange rate fluctuations. As at March 31, 2017 and December 31, 2016 the following balances are the Canadian equivalent of items denominated in US currency:

	March 31, 2017	December 31, 2016
Accounts receivable	$108,041	$313,067
Due to related party	(564,357)	(420,397)
	$(456,316)	$(107,330)

- 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 $47,545,003 (December 31, 2016 – $44,549,241) 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 companies, whose creditworthiness is of the highest level, thereby reducing the risk of material payment default.

The Company has an established credit policy under which each new client is analyzed individually for creditworthiness. The review includes external ratings where available, credit reference checks and, in some cases, bank references. Creditworthiness of existing clients is monitored on an ongoing basis, along with monitoring the amount and age of balances outstanding.

15. Financial instruments *(continued from previous page)*

(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 and work in progress 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 March 31, 2017, receivables from 2 customers comprised approximately 93% (December 31, 2016 – 83%) of the total outstanding receivables. One particular customer's account represents 81% (December 31, 2016 – 61%) of the total outstanding receivables and work in progress at March 31, 2017. The Company reduces this risk by regularly assessing the credit risk associated with these accounts and closely monitoring any overdue balances.

During the quarter ended March 31, 2017, 89% of revenues were generated from 2 customers (2 customers in 2016 – 85%), each with greater than 10% of total revenues. During the quarter ended March 31, 2017 customers 1 and 2 represented 82% and 7% respectively. During the year ended December 31, 2016 customers 1 and 2 represented 61% and 24% respectively.

(e) Liquidity risk

The Company does have a liquidity risk with credit facilities of $9,999,975, (December 31, 2016 – $9,999,975), accounts payable and accrued liabilities of $7,239,149 (December 31, 2016 – $6,503,980) and current portion of obligations under finance leases of $2,866,274 (December 31, 2016 – $3,106,304). 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:

March 31, 2017	**1 year**	**2 to 5 years**	**>5 years**	**Total**
Accounts payable and accrued liabilities	$7,239,149	$-	$-	$7,239,149
Debentures and other debt	564,877	905,663	-	1,470,540
Long-term debt	-	20,000,000	-	20,000,000
Finance lease obligations	2,866,274	4,194,243	-	7,060,517
	$10,670,300	$25,099,906	$-	$35,770,206

December 31, 2016	**1 year**	**2 to 5 years**	**>5 years**	**Total**
Accounts payable and accrued liabilities	$6,503,980	$-	$-	$6,503,980
Debentures and other debt	534,411	937,073	-	1,471,484
Long-term debt	-	20,000,000	-	20,000,000
Finance lease obligations	3,106,304	4,709,149	-	7,815,453
	$10,144,695	$25,646,222	$-	$35,790,917

16. Contingent liabilities

There are two legal proceedings against the Company for breach of contract and obligations and wrongful dismissal. For these claims, the plaintiffs are seeking payment from the Company for damages of approximately $500,000 and $418,000, respectively. The legal claims are 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.

17. Subsequent Events

a) On May 5, 2017, 6,000 broker warrants were exercised at a price of $1.00 for total proceeds to the Company of $6,000.