Court File No.

ONTARIO SUPERIOR COURT OF JUSTICE

(COMMERCIAL LIST)

BETWEEN:

ROYAL BANK OF CANADA

Applicant

- and-

DISTINCT INFRASTRUCTURE GROUP INC., DISTINCT INFRASTRUCTURE GROUP WEST INC., DISTINCTTECH INC., IVAC SERVICES INC., IVAC SERVICES WEST INC., and CROWN UTILITIES LTD.

Respondents

REPORT OF DELOITTE RESTRUCTURING INC. IN ITS CAPACITY AS PROPOSED RECEIVER OF DISTINCT INFRASTRUCTURE GROUP INC. AND ITS SUBSIDIARIES

DATED FEBRUARY 28, 2019

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APPENDICES

INTRODUCTION AND PURPOSE OF THIS REPORT

1. Deloitte Restructuring Inc. ("**Deloitte**") understands that an application will be made before the Ontario Superior Court of Justice (Commercial List) (the "**Court**") by the Royal Bank of Canada ("**RBC**"), for an Order (the "**Receivership Order**"), *inter alia*, appointing Deloitte as receiver to exercise the powers and duties set out in the Receivership Order, pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**"), and section 101 of the *Courts of Justice Act* R.S.O. 1990 c. C.43, as amended (the "**Receiver**"), without security, of all the assets, properties and undertakings (collectively, the "**Property**") of Distinct Infrastructure Group Inc. (the "**Company**") and its subsidiaries set out in Appendix "**A**" hereto (collectively with the Company, "**DIG**").

2. Deloitte was retained by RBC to act as its financial consultant to review the current operations and financial position of DIG. Deloitte also worked with RBC and its legal counsel, Thornton Grout Finnigan LLP ("**TGF**"), with regard to the proposed receivership proceeding, as discussed below.

3. Deloitte is a licensed insolvency trustee within the meaning of section 2 of the BIA and has consented to act as Receiver in these proceedings in the event that the Court grants the relief sought by RBC. Deloitte has prepared this pre-filing report as proposed Court-appointed Receiver of DIG ("**Proposed Receiver**") to provide background to the Court for the pending receivership application and the relief being sought as part of the application (the "**Report**").

4. Deloitte has also engaged Aird & Berlis LLP ("**A&B**") to act as the Proposed Receiver's independent legal counsel.

5. This Report will cover:

a) DIG's current financial position (including assets, liabilities and security interests), causes of financial difficulty, certain financial reporting irregularities and DIG’s immediate cash requirements;

b) The outcome of Deloitte’s review of DIG’s operations;

c) A summary of DIG’s major creditors;

d) The result of RBC issuing its ten-day notice to enforce its security;

e) A&B’s preliminary review of the validity and enforceability of RBC’s security; and

f) Deloitte’s consent to act as Receiver should the Court see fit to grant the Receivership Order.

TERMS OF REFERENCE

6. In preparing this Report, Deloitte has been provided with, and has relied upon unaudited, draft and/or internal financial information, DIG's books and records, discussions with management of DIG, discussions with the Special Committee (as defined below) and its legal counsel, and information from third-party sources (collectively, the “**Information**”). Except as described in this Report:

(a) Deloitte has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, Deloitte has not audited or otherwise attempted to verify the accuracy or completeness of the

Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("**CAS**") pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Proposed Receiver expresses no opinion or other form of assurance contemplated under CAS in respect of the Information;

(b) Deloitte notes that the Company has recently issued press releases and guidance to the financial markets advising that its financial statements are misstated and should not be relied upon. Deloitte is aware of material write downs to the Company's accounts receivable, work in progress and inventory balances and, accordingly, Deloitte cautions that the financial information reported herein is subject to further verification and may require material revision; and

(c) Deloitte has prepared this Report in its capacity as Proposed Receiver to provide background to the Court for its consideration of the relief being sought. Parties using the Report other than for the purposes outlined herein are cautioned that it may not be appropriate for their purposes.

7. Unless otherwise stated, all dollar amounts contained in the Report are expressed in Canadian dollars. Financial information reported herein is presented on a consolidated basis and not at the individual operating company level.

8. The Report has been prepared with reference to the Affidavit of Gary Ivany sworn February 28, 2019 (the "**Ivany Affidavit**") in this matter, a copy of which will be filed separately with Court by RBC.

9. This Report should be read concurrently with the Ivany Affidavit for further context and background regarding DIG and the activities leading up to RBC's application.

OVERVIEW OF DIG

10. The Company is a public company listed on the TSX Venture Exchange under the symbol "DUG" whose assets consist of its ownership interests in operating subsidiaries that are engaged in the following lines of business:

(a) Aerial construction – This line of business involves the installation of utility poles for telecommunications use and also involves the installation of cabling for telecommunications purposes;

(b) Underground construction – As part of this line of business, DIG is involved in directional drilling for telecommunications infrastructure, hydro excavation, open trench installations and the placement of cable for telecommunications purposes;

(c) Technical services – The primary activities related to DIG's technical services offering relates to fibre splicing and coaxial splicing and testing; and

(d) Third party material management – This offering relates to the storing of materials for DIG's various customers.

11. DIG provides these services to customers in both the Greater Toronto Area (as far as the Niagara Region) and in Winnipeg, its two primary operating geographies. Significant customers in Toronto include:

(a) Bell Canada and Bell Mobility (together, “**Bell**”);

(b) Rogers Communications (“**Rogers**”);

(c) Toronto Hydro Electric System (“**Toronto Hydro**”);

(d) Beanfield Technologies (“**Beanfield**”); and

(e) Other smaller customers.

12. Of the customers above, Bell and Rogers together represent in excess of 56% of DIG’s reported revenue for the first 11 months of 2018, although the Company’s financial reports have proven to be unreliable.

13. Customers in Manitoba primarily include Bell, Rogers and Manitoba Hydro.

14. The Company was founded by Alex Agius and Joe Lanni. Until recently, the two founders were retained by DIG through consulting services contracts as joint chief executives (together, the “**Co-CEOs**”).

15. DIG currently employs approximately 310 employees in total between its various locations. The hourly employees in Toronto are represented by the Labourers’ International Union of North America, Ontario Provincial District Council Local 183. All other employees (both in Winnipeg and Toronto) are non-unionized (other than two pipefitters employed in Winnipeg).

16. A corporate organizational chart setting out the corporate relationships within the DIG structure is included as Appendix "**B**" attached hereto.

17. Pursuant to the terms of a credit agreement dated March 23, 2017 (as amended, the "**Credit Agreement**") between the Company, as borrower, and RBC, borrowings are subject to a borrowing base cap based on the level of accounts receivable and other working capital balances. The borrowing base is calculated on a monthly basis. As of the date of this Report, advances made by RBC under the Credit Agreement are approximately $52.7 million, of which $18.4 million is in respect of a term loan with the balance, or approximately $34.3 million, representing a revolving credit facility.

18. As security for the Company's obligations and liabilities to RBC under the Credit Agreement, DIG executed, among other things, a general security agreement in favour of RBC granting a security interest over DIG's assets.

DIG'S STAKEHOLDERS

19.The total indebtedness of DIG to its creditors as of December 31, 2018 is approximately $82.4 million. The following table sets out the nature of the relationship between DIG and each of its major creditors and stakeholders as detailed on the Company's financial statements:

Stakeholder	**Nature of relationship**	**Amount owing**
RBC	• Senior secured lender including a term and revolving credit facility	• $52.7 million at February 27, 2019
Rogers Financial Management Corporation	• Holder of $10 million unsecured debenture issued in September, 2018	• $9.1 million at December 31, 2018
Trade creditors	• Ongoing trade credit	• $12.9

Stakeholder	Nature of relationship	Amount owing
		million at December 31, 2018
Lessors	• Leased construction equipment and vehicles to DIG to provide services to DIG's customers • Security over individual assets	• $3.0 million at December 31, 2018
Union	• Owed amounts on account of outstanding union dues, vacation pay, health benefits and pension contributions. Such amounts are included in "accounts payable and accrued liabilities"	• $1.5 million at February 27, 2019

DELOITTE'S PRIOR INVOLVEMENT WITH DIG

20. On November 29, 2018, RBC engaged Deloitte to perform an independent business review with respect to DIG's affairs and financial position, including an assessment of RBC's collateral position. As part of its scope of work, Deloitte undertook the following:

    (a) a review of DIG's business plan and financial forecast;

    (b) preparation of an estimate of RBC's security position;

    (c) a review of the borrowing base calculations provided to RBC; and

    (d) other matters as directed by RBC.

21. Deloitte began its work shortly after the execution of its engagement letter by RBC and provided its report to RBC on January 31, 2019.

22. A chronology of certain events related to Deloitte's engagement is set out below:

    (a) Deloitte began its work in December, 2018. Such work was carried out at DIG's premises in Toronto, Ontario.

(b) On January 14, 2019, DIG engaged the services of a new Chief Financial Officer (the "**New CFO**").

(c) As part of its work, Deloitte sought support for various accounts that Management could not provide. The New CFO provided the accounts receivable subledgers at month end for each of October, November and December, 2018 (the "**A/R Subledgers**") and backup to DIG's work in process ("**WIP**") accounts at the same dates. Deloitte analyzed the A/R Subledgers and noticed that each contained a number of invoices that had been issued for identical amounts on the same day or over a short period of time. For example:

i. 51 invoices for $144,616 (totalling $7.4 million) were entered into the A/R Subledgers in December 2017 and between July and September 2018;

ii. 5 invoices for $289,232 (totalling $1.4 million) were entered into the A/R Subledgers between July 15 and August 13, 2018;

iii. 3 invoices for $162,693 (totalling $488,079) were entered into the A/R Subledgers in August 2018.

(d) In addition, Deloitte identified seven duplicate invoices, each in the amount of $144,616, in October 2018 totalling $1.01 million and a further 14 duplicate invoices totalling approximately $925,000 in November 2018.

(e) When Deloitte asked DIG management ("**Management**") to explain the reason for the issuance of these invoices, a satisfactory response was not provided by

Management. Deloitte also asked for backup to certain of these invoices. Management was unable to provide the required supporting documents.

(f) Management was unable to provide appropriate support for the $35 million WIP balances as at September 30, 2018.

(g) Noting the lack of support or explanations for these financial reporting irregularities, Deloitte issued its report to RBC on January 31, 2019. The report noted that Deloitte had identified material irregularities with respect to Bell accounts receivable and invoices and that Deloitte reserved the right to amend its findings as necessary once further information was provided.

(h) On February 4, 2019, the New CFO met with Mr. Ivany and a representative from Deloitte. At that meeting, the New CFO advised that he had identified approximately $16 million of entries in the A/R Subledgers for which there was no support. He further advised that certain members of DIG's executive team, the Interim CFO and Vice President of Finance, were to be suspended and that a special committee of DIG's board of directors (the "**Special Committee**") had been formed to investigate these accounting irregularities.

23. The New CFO and the Special Committee continued to investigate DIG's finances and identified several unsupportable entries in the Company's accounts. As a result, the New CFO and Special Committee advised RBC and Deloitte that:

(a) The employment of the Interim CFO and Vice President of Finance were terminated effective February 11, 2019.

(b) Significant personal charges had been incurred on the Co-CEOs' corporate credit cards. The nature of these charges included, among other charges, the following:

i. Personal expenses such as family vacations;

ii. Excessive meal and entertainment charges that do not appear to be for the benefit of DIG;

iii. Rental of personal storage lockers; and

iv. Ski club memberships.

Management has since issued a demand to the Co-CEOs for the repayment of amounts that were identified as not being for the benefit of DIG.

(c) Until recently, the Co-CEOs were directing operations at DIG in addition to being members of the Board of Directors. However, as a result of the reported overstatement of accounts receivable and WIP and expense account irregularities, the employment of the Co-CEOs was terminated on February 18, 2019. The Co-CEOs, through legal counsel, have denied any allegations of impropriety and remain directors.

(d) As a result of the termination of the Co-CEOs' employment, a new interim CEO was appointed on February 21, 2019.

24. The Special Committee continues to investigate the financial irregularities. On February 26, 2019 it discovered documentation evidencing that Company funds were used to repay $1 million of personal loans of the Co-CEOs ($500,000 each) contrary to the terms of the

Credit Agreement and the related Shareholder Postponement Agreement dated September 12, 2018 executed by each of the co-CEOs. The Proposed Receiver has been advised that this information was provide to RBC and its counsel on February 27, 2019.

DIG'S CURRENT FINANCIAL POSITION

DIG's past performance

25. The table below sets out certain of DIG's balance sheet amounts publicly reported in prior years:

Distinct Infrastructure Group Inc. Summary of Key Financials (in CAD $000's) For the period FY2014 to Q3 2018 Unaudited	FY2014	FY2015	FY2016	FY2017	Q3 2018
Income Statement					
Select Income Statement Items					
Revenue	25,614	37,104	55,180	56,421	61,464
EBITDA	4,159	6,794	3,483	301	6,781
Net Income/(Loss)	2,293	2,270	(3,147)	(13,181)	(2,776)
Balance Sheet					
Select Asset Items					
Accounts Receivable	9,435	14,959	10,320	16,279	36,685
Work in Progress	4,956	9,074	29,758	46,739	35,456
Inventory	192	244	246	140	2,239
Prepaid Expenses and Deposit	108	1,048	665	1,034	3,419
Select Liability Items					
Accounts Payable and Accrued Liabilities	5,339	4,961	6,503	13,557	13,145
Debentures and Other Debt	97	985	1,471	1,482	2,472
Finance Lease Obligations	4,166	7,190	7,815	5,449	4,641
RBC Revolving Loan	-	-	-	27,638	30,609
Term Loan	-	18,929	18,877	19,872	19,625
Unsecured convertible debentures	-	-	-	-	7,969

26. The table below compares certain balances to the quantum of reported revenue in the relevant year:

Balance as a % of sales	FY2014	FY2015	FY2016	FY2017	Q3 2018
Accounts Receivable	37%	40%	19%	29%	60%
Work in Progress	19%	24%	54%	83%	58%
Inventory	1%	1%	0%	0%	4%

27. As detailed in the tables above, there has been a significant increase in the quantum of reported accounts receivable and WIP since 2014 without a corresponding increase in reported revenue. In addition, inventory and prepaid expenses have increased substantially in the nine-month period from December 31, 2017 to September 30, 2018. Such increases, particularly in respect of accounts receivable and WIP, had the specific effect of significantly increasing DIG's borrowing base under its credit facilities with RBC.

28. On September 12, 2018, DIG closed a financing transaction (the "**September 2018 Financing**") whereby:

    (a) RBC temporarily increased the amount that could be advanced against WIP under the borrowing base formula from $6 million to $14 million; and

    (b) Rogers Financial Management Corp. ("**RFM**") provided $10 million in exchange for unsecured convertible debentures.

29. Subsequent to the September 2018 Financing, RBC became concerned with the growth in the Company's balance sheet and its liquidity position, which had not materially improved notwithstanding the funding provided from the September 2018 Financing.

Current status and impact of irregularities

30. As a result of the accounting irregularities described above, the Company publicly disclosed on February 13, 2019 that its financial statements should no longer be relied upon. This disclosure applies to the 2017-year end audited financial statements and the three quarterly unaudited financial statements issued in 2018.

31. DIG's consolidated updated accounts as at December 31, 2018 are compared with the September 30, 2018 records and are summarized below. As a result of the material write-offs of unsupported asset balances, DIG has incurred a significant equity deficit on its balance sheet in the approximate amount of $82.6 million.

Distinct Infrastructure Group Inc. Consolidated Balance Sheet	As Reported Sep 30, 2018	As At Dec 31, 2018	Variance ($)	Write off ($)	Notes
ASSETS					
Current Assets					
Accounts receivable	36,685,835	13,036,449	(23,649,386)	(23,246,549)	**1**
Contract asset (i.e. Work in Progress)	35,455,983	1,480,000	(33,975,983)	(33,975,983)	**2**
Prepaid expenses and deposits	3,309,899	594,784	(2,715,115)	(2,250,000)	**3**
Inventory	2,239,829	207,987	(2,031,842)	(1,700,000)	**4**
Cash	1,201,254	-	(1,201,254)		
Income tax recoverable	1,116,052	1,116,052	(0)		
Assets held for sale	153,147	47,244	(105,903)		
Due from ABL Professional Management Inc.	1,716,185	1,641,577	(74,608)		**5**
Due from Alex Agius	-	237,787	237,787		**6**
Due from Joe Lanni	-	94,559	94,559		**7**
Total current assets	**81,878,184**	**18,456,438**	**(63,421,746)**		
Non-Current Assets					
Deposits	110,306	20,306	(90,000)		
Property and equipment	21,177,132	15,050,698	(6,126,434)		**8**
Intangibles	378,682	336,606	(42,076)		
Goodwill	2,795,212	2,795,212	-		
Total non-current assets	**24,461,332**	**18,202,822**	**(6,258,510)**		
TOTAL ASSETS	**106,339,516**	**36,659,261**	**(69,680,256)**		
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	12,300,310	12,872,733	572,423		
Income tax payable	643,159	339,159	(304,000)		
Debentures and other debt	2,472,385	1,479,467	(992,918)		
Current portion of finance lease obligations	2,511,823	1,084,379	(1,427,444)		
RBC Revolving Loan	30,608,967	34,258,770	3,649,803		
Liabilities directly associated with assets held for sale	1,107,869	415,482	(692,387)		
Total current liabilities	**49,644,513**	**50,449,990**	**805,477**		
Non-current liabilities					
RBC Term Loan	19,625,000	18,375,000	(1,250,000)		
Unsecured convertible debentures	7,968,805	9,138,581	1,169,776		
Finance lease obligations	2,129,501	1,901,801	(227,700)		
Deferred tax payable	2,544,300	2,544,300	(0)		
Total non-current liabilities	**32,267,606**	**31,959,681**	**(307,925)**		
TOTAL LIABILITIES	**81,912,119**	**82,409,671**	**497,552**		
Shareholders' equity					
Share capital	34,572,427	34,572,427	(0)		
Contributed surplus	2,307,760	2,326,323	18,563		
Deficit	(12,452,790)	(82,649,160)	(70,196,370)	(61,172,532)	**9**
Total shareholders equity	**24,427,397**	**(45,750,411)**	**(70,177,808)**		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**106,339,516**	**36,659,261**	**(69,680,256)**		

NOTES

1. $15.1M writedown of unsupported A/R (the "WIP AR Account") and $8.1M from unsupprted Bell invoices.
2. $33.9M of WIP with no support.
3. Reversal of unsupported journal entry ($800K DistinctTech Inc. and $1.45M Crown).
4. Reversal of unsupported $1.7M journal entry.
5. ABL Professional Management Inc. is a company owned by the former Co-CEOs who personally guaranteed the amount due from ABL (50% each). Demands were issued on Feb 26, 2019 in the amount of $910,894 each.
6. Demands for repayment of personal expenses incurred on the Company's credit cards were issued on Feb 26 ,2019.
7. Demands for repayment of personal expenses incurred on the Company's credit cards were issued on Feb 26 ,2019.
8. Certain assets from the iVac discontinued operation were sold at auction in December 2018.
9. 89% of the deficit relates to the write-offs of overstated A/R, WIP, prepaid expenses and deposits and inventory.

Sources: Discussion with John Nashmi, CFO; and the Company's proposed adjustments to Q3 2018.

32. On February 26, 2019, the Company provided a borrowing base certificate showing only $3.8 million of available borrowing base collateral to support revolver borrowings of approximately $34.5 million resulting in the revolver being under collateralized by over $30 million.

33. Including the write-offs of the questionable balances in DIG's current accounts, DIG's reported equity is now a deficit of assets to liabilities of $45.8 million, materially worse than the publicly reported surplus of $24.4 million as at September 30, 2018. Such statements are attached as Appendix "**D**" to this Report.

CASH FLOW FORECAST

34. Management has prepared a weekly cash flow forecast for the 14-week period February 25 to May 31, 2019 (the "**Cash Flow Forecast**") that quantifies DIG's near-term cash needs. Receipts are projected primarily based on the weekly cash flow realized at this time in 2018 with some adjustment to reflect the current revised accounts receivable balances and the conversion of WIP and new sales into accounts receivable. Deloitte notes that, to date, the Company has limited confirmed new projects for 2019; accordingly there is risk that receipts may not materialize as forecast. In addition, the Company has not, to date, provided support for costs to complete its WIP. The Cash Flow Forecast reflects headcount reductions implemented on February 27, 2019. The Cash Flow Forecast is attached to this Report as Appendix "**C**" attached hereto.

35. Notwithstanding the preceding paragraph, Deloitte expects that a receivership cash flow will be materially different than the one prepared by Management as the receivership is

implemented and the Receiver is able to determine, with customer and additional Management input, which projects can be completed and which costs must be incurred to do so.

36. The Cash Flow Forecast is premised on ongoing operations and forecasts total receipts of \$12.6 million, total disbursements of \$13.3 million (including \$629,000 of interest paid to RBC in the week ending March 1, 2019) for net cash outflows of approximately \$665,000 during the 14-week cash flow period. The 5-week period ending March 29, 2019 is the largest cash need for DIG, as net cash outflows are approximately \$1.5 million.

37. DIG does not have sufficient liquidity to fund its operations as it has borrowed to the limit of its revolving credit facility, and as noted above, its borrowing base to support such borrowings is approximately \$30 million under margin given the adjustments to the Company's previously overstated working capital balances. As noted in the Ivany Affidavit, RBC is unwilling to provide such funding to the Company given its collateral shortfall. Accordingly, DIG is facing a liquidity crisis and cannot continue in its current form. As such, there is an urgent need for a receiver to minimize future operating losses, to collect accounts receivable and WIP, if possible, and to market the assets of the Company on an *en bloc* or piecemeal basis as quickly as possible to maximize creditor recoveries for DIG's creditors on a commercially reasonable basis.

38. DIG has borrowed up to its permitted limit and requires a further \$1.5 million in financing over the next four to six weeks. Based on available margin, this financing will not be made available by RBC for reasons discussed above. Further, pursuant to the terms of the Credit Agreement, the Company is required to make monthly payments to RBC in respect of the

term loan outstanding. The Company is currently unable to make the payment to RBC, as it doesn't have sufficient available cash nor sufficient borrowing capacity under its revolving credit facility (which is also funded by RBC).

THE RBC DEMAND

39. On February 23, 2019, RBC issued its notice of intention to enforce security over DIG's assets. Although the required ten-day period has not yet expired, Deloitte has been advised by RBC that DIG will cooperate and work constructively with the RBC and Deloitte as the Proposed Receiver.

A&B PRELIMINARY SECURITY REVIEW

40. In preparing this Report, Deloitte engaged independent legal counsel to undertake, among other things, a high-level review of RBC's loan documents, including the security granted by DIG in favour of RBC in connection therewith. At this stage, and based on its discussions with A&B, the Proposed Receiver is of the initial view that RBC holds valid and enforceable security as against DIG. To the extent that the Court grants the Orders sought by RBC in this application, the Proposed Receiver will, in due course, obtain a formal independent security opinion from A&B, a copy of which will be made available to the Court upon request and, in any event, prior to any distribution to RBC or any other party.

DELOITTE'S CONSENT TO ACT AS RECEIVER

41. As mentioned in the Ivany Affidavit, Deloitte confirms that it is willing to act as Receiver should the Court see fit to grant RBC's request to appoint a receiver over DIG's assets.

42. In light of Deloitte's recent engagement by RBC to review DIG's operations and financial position, Deloitte possess the knowledge and understanding of the business, including the employees and stakeholders, to administer these proceedings in an efficient manner.

43. Other than the business review described above, Deloitte has had no involvement with DIG and is independent in this regard.

44. Deloitte supports RBC's request for the appointment of a receiver given the urgent need to minimize cash outflows and to realize on the assets for the benefit of the Company's creditors.

All of which is respectfully submitted at Toronto, Ontario this 28th day of February, 2019.

DELOITTE RESTRUCTURING INC.,
solely in its capacity as the proposed
Court-appointed receiver of
Distinct Infrastructure Group Inc. and its
subsidiaries set out in Appendix "A"
hereto, and without personal or corporate
liability

Per: P. Casey
Paul Casey, CPA, CA, FCIRP, LIT
Senior Vice-President

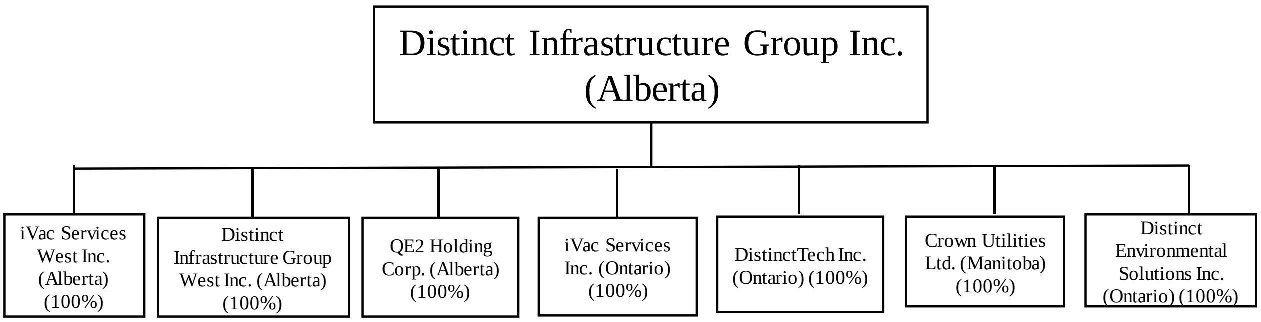
Appendix "A"

List of Subsidiaries

Distinct Infrastructure Group West Inc.
Distinct Infrastructure Group West Inc.
Distincttech Inc.
iVac Services Inc.
iVac Services West Inc.
Crown Utilities Ltd.

Appendix "B"

DIG Organizational Structure



Appendix "C"

Cash Flow Forecast

Appendix “C”

Cash Flow Forecast

Distinct Infrastructure Group Inc. Cash Flow Model (in CAD $000's) As at February 27, 2019 Adjusted based on Management's forecast dated February 23, 2019		Forecast Week Ending 1-Mar-19	Forecast Week Ending 8-Mar-19	Forecast Week Ending 15-Mar-19	Forecast Week Ending 22-Mar-19	Forecast Week Ending 29-Mar-19	Forecast Week Ending 5-Apr-19	Forecast Week Ending 12-Apr-19	Forecast Week Ending 19-Apr-19	Forecast Week Ending 26-Apr-19	Forecast Week Ending 3-May-19	Forecast Week Ending 10-May-19	Forecast Week Ending 17-May-19	Forecast Week Ending 24-May-19	Forecast Week Ending 31-May-19	Forecast Total
Receipts	**Notes**															
Operating Activities																
Bell	1	350	50	-	-	-	1,250	325	350	350	375	400	415	450	450	4,765
Rogers	2	293	175	200	200	225	225	300	300	300	300	305	315	325	350	3,813
Other	3	150	150	200	175	150	125	150	200	150	200	150	200	150	200	2,350
IVAC	4	100	17	-	-	-	27	-	-	-	-	-	-	-	-	144
HST	5	-	-	-	-	-	-	-	-	750	-	-	-	-	-	750
Total Receipts from Operating Activities		**893**	**392**	**400**	**375**	**375**	**1,627**	**775**	**850**	**1,550**	**875**	**855**	**930**	**925**	**1,000**	**11,822**
																-
Investing Activities	6															-
Sale of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts from Investing Activities		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
																-
Financing Activities																-
Proceeds from Related Parties		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from Crown	7	300	150	-	150	-	50	-	50	-	50	-	50	-	50	850
Total Receipts from Financing Activities		**300**	**150**	**-**	**150**	**-**	**50**	**-**	**50**	**-**	**50**	**-**	**50**	**-**	**50**	**850**
																-
Total Receipts		**1,193**	**542**	**400**	**525**	**375**	**1,677**	**775**	**900**	**1,550**	**925**	**855**	**980**	**925**	**1,050**	**12,672**
																-
Disbursements																-
Operating Activities																-
Payroll	8	(334)	(125)	(342)	(165)	(342)	(165)	(342)	(165)	(342)	(165)	(342)	(165)	(342)	(165)	(3,502)
WCB/Benefits	9	(65)	(10)	-	(10)	(65)	(10)	(10)	-	(10)	(65)	(10)	-	(10)	-	(265)
Union Dues / Benefit pension	10	-	(232)	(147)	(109)	-	(145)	(161)	-	(161)	(145)	(161)	(145)	(161)	-	(1,568)
Leases & Fuel	11	(334)	(138)	(124)	(84)	(59)	(313)	(124)	(84)	(79)	(259)	(79)	(80)	(83)	(100)	(1,939)
Dumping fees	11	-	(40)	-	-	-	(15)	(15)	(15)	(15)	(20)	(20)	(20)	(20)	(20)	(200)
Police	11	-	(25)	-	(25)	(25)	(25)	-	-	(25)	-	(25)	-	(25)	-	(175)
Operating Expenses	12	(6)	(151)	(156)	(201)	(206)	(251)	(201)	(306)	(251)	(381)	(276)	(281)	(376)	(281)	(3,321)
Insurance	13	-	-	(89)	(4)	-	-	-	(89)	(4)	-	-	(89)	(4)	-	(279)
Rent	13	-	(115)	-	-	-	(115)	-	-	-	(115)	-	-	-	-	(345)
HST	14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements from Operating Activities		**(738)**	**(837)**	**(857)**	**(598)**	**(697)**	**(1,040)**	**(853)**	**(658)**	**(887)**	**(1,150)**	**(913)**	**(780)**	**(1,022)**	**(565)**	**(11,594)**
																-
Investing Activities	15															-
Maintenance Capex		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
New Capex		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements from Investing Activities		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
																-
Financing Activities																-
Funding of ABL	16	(37)	-	(33)	-	(33)	-	(33)	-	(33)	-	(33)	-	(33)	-	(233)
Payment of RBC Term Loan	17	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment of RBC Interest & Fees	17	(629)	(2)	(2)	(2)	(120)	(53)	(3)	(3)	(93)	(53)	-	-	-	(550)	(1,510)
Total Disbursements from Financing Activities		**(666)**	**(2)**	**(35)**	**(2)**	**(153)**	**(53)**	**(36)**	**(3)**	**(126)**	**(53)**	**(33)**	**-**	**(33)**	**(550)**	**(1,743)**
																-
Total Disbursement		**(1,404)**	**(839)**	**(892)**	**(600)**	**(850)**	**(1,093)**	**(889)**	**(661)**	**(1,013)**	**(1,203)**	**(946)**	**(780)**	**(1,054)**	**(1,115)**	**(13,337)**
																-
Net Change in Cash		**(211)**	**(297)**	**(492)**	**(75)**	**(475)**	**584**	**(114)**	**239**	**537**	**(278)**	**(91)**	**200**	**(129)**	**(65)**	**(665)**

Notes

1 For the period February 25, 2019 to May 31, 2019 (the "Forecast Period"), Management estimated a collection of $4.7M of receipts from Bell.

2 In the Forecast Period, Management estimated a collection of $3.8M of receipts from Rogers.

3 In the Forecast Period, Management estimated a collection of $2.3M of receipts from other customers under DistinctTech Inc.

4 In the Forecast Period, Management estimated a collection of $144K from customers under iVAC Services Inc.

5 In the Forecast Period, Management estimated a GST/HST refund of 750K.

6 Management did not estimate future receipt from sale of assets and other disposal activities.

7 Management included transfer of funds from Crown Utilities Ltd. ("Crown"), a wholly-owned subsidiary specializing in civil light construction in Winnipeg, Manitoba, totaling $850K.

8 Payroll related expenses during the Forecast Period reflect a reduction in headcount from layoffs completed in February 2019.

9 Payment is forecast to be $65,000 per Management's guidance.

10 Union dues and benefits are pro-rated based on historical union rates and hours worked by LiUNA unionized employees.

11 Leases, fuel, dumping fees and police patrol costs relate to the core operation of the Company.

12 Operating expenses relate to disbursements made to subcontractors and suppliers. Management estimated $6K for the week ended March 1, 2019.

13 Rent and insurance forecasts are based on historical cost and timing.

14 HST remittance was not estimated based on future receipts and disbursements.

15 Management did not estimate future capex.

16 Management included $33,000 in bi-weekly payroll funded by the Company for ABL Professional Management Services Inc. (“ABL”), a related party owned by Alex Agius and Joe Lanni, who provide front-end design work for projects.

17 Management assumed payments on interest and fees in the Forecast Period.

Appendix "D"

Distinct Infrastructure Group Inc. Financial Statements

Nine Months Ended September 30, 2018

Appendix "D"

Distinct Infrastructure Group Inc. Financial Statements

Nine Months Ended September 30, 2018

Distinct Infrastructure Group Inc.
Condensed Interim Consolidated Statements of Financial Position
As at September 30, 2018 and December 31, 2017
(Unaudited)

	Notes	September 30, 2018 $	December 31, 2017 $
ASSETS			
Current assets			
Cash		1,201,254	3,657,134
Accounts receivable	7(a)	36,685,835	16,279,671
Inventory		2,239,829	139,828
Prepaid expenses and deposits		3,309,899	929,919
Contract asset	7(b)	35,455,983	46,739,453
Income taxes recoverable		1,116,052	-
Due from related party	13	-	250,000
		80,008,852	67,996,005
Assets held for sale	6	153,147	-
Total current assets		80,161,999	67,996,005
Non-current assets			
Accounts receivable		-	247,413
Deposits		110,306	105,000
Property and equipment, net	8	21,177,132	23,977,709
Intangibles		378,682	504,908
Goodwill		2,795,212	2,795,212
Due from related party	13	1,716,185	872,928
Total non-current assets		26,177,517	28,503,170
TOTAL ASSETS		106,339,516	96,499,175
LIABILITIES AND SHAREHOLDERS EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	5	12,300,310	13,556,714
Income taxes payable		643,159	637,978
Current portion of debentures and other debt	9(a),(b)	2,472,385	1,469,462
Current portion of finance lease obligations		2,511,823	2,696,695
Revolving loan	9(d)	-	27,638,408
Current portion of long-term debt	9(d)	-	19,871,636
		17,927,677	65,870,893
Liabilities directly associated with assets held for sale	6	1,107,869	-
Total current liabilities		19,035,546	65,870,893
Non-current liabilities			
Debentures and other debt	9(a),(b)	-	12,361
Revolving loan	9(d)	30,608,967	-
Long-term debt	9(d),(e)	27,593,805	-
Finance lease obligations		2,129,501	2,752,478
Deferred tax liability		2,544,300	2,544,300
Total non-current liabilities		62,876,573	5,309,139
TOTAL LIABILITIES		81,912,119	71,180,032
Shareholders equity			
Share capital	10	34,572,427	34,531,210
Contributed surplus		2,307,760	464,418
Deficit		(12,452,790)	(9,676,485)
Total shareholders' equity		24,427,397	25,319,143
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		106,339,516	96,499,175

(See going concern uncertainity – note 1)

"Alexander Agius"
Director

"Joe Lanni"
Director

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

Distinct Infrastructure Group Inc.
Condensed Interim Consolidated Statements of Comprehensive Income (Loss)
For the three and nine months ended September 30, 2018 and 2017
(Unaudited)

		For the three months ended		For the nine month ended	
	Notes	September 30, 2018 $	September 30, 2017 (restated – note 4 and 6) $	September 30, 2018 $	September 30, 2017 (restated – note 4 and 6) $
Revenue		21,447,255	21,027,836	61,464,917	45,161,385
Expenses					
Direct costs		14,629,335	11,315,938	45,451,252	34,721,552
Selling, general and administrative		3,451,605	2,458,209	9,232,014	7,346,637
Depreciation and amortization	8	1,233,759	512,681	3,483,247	1,489,079
Total expenses		19,314,699	14,286,828	58,166,513	43,557,269
Income from operations		2,132,556	6,741,008	3,298,404	1,604,116
Other expenses					
Interest expense		1,477,030	615,426	2,997,770	1,984,495
Interest on capital leases		78,793	89,951	227,027	292,524
Other finance expense		-	127,175	-	2,060,484
Finance expense	14	1,555,823	832,552	3,224,797	4,337,503
Income (loss) before income taxes		576,733	5,908,456	73,607	(2,733,387)
Income tax recovery		(213,307)	-	(3,307)	-
Net income (loss) from continuing operations		790,040	5,908,456	76,914	(2,733,387)
Loss after income taxes from discontinued operations	6	(1,356,565)	(482,020)	(2,853,219)	(2,433,417)
Net and comprehensive income (loss)		(566,525)	5,426,436	(2,776,305)	(5,166,804)
Earnings (loss) per share:					
Basic and diluted	12	(0.01)	0.15	(0.06)	(0.15)

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

	Notes	For the nine months ended September 30, 2018 $	September 30, 2017 (restated note 4 and 6) $
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:			
OPERATING ACTIVITIES			
Net loss from continuing operations		76,914	(2,733,387)
Loss from discontinued operations	6	(2,853,219)	(2,433,417)
		(2,776,305)	(5,166,804)
Items not affecting cash from continuing operations			
Accretion	9(a),(e)	183,812	28,426
Loss on extinguishment of long-term debt		-	1,122,567
Amortization of finance fees		25,431	-
Share-based compensation		95,534	56,473
Shares issued for services		-	125,000
Depreciation and amortization	8	3,483,247	1,489,079
Gain /(loss) on disposal		170,173	(260,089)
Items not affecting cash from discontinued operations			
Depreciation		775,172	508,465
Loss on disposal		13,226	-
		1,970,290	(2,096,883)
Changes in non-cash working capital items from continuing operations			
Accounts receivable		(21,032,385)	(3,437,151)
Inventory		(2,100,001)	112,238
Contract asset		11,283,470	(7,230,553)
Prepaid expenses and deposits		(2,446,829)	(15,606)
Accounts payable and accrued liabilities		(535,404)	1,210,376
Income taxes payable		(1,044,633)	(963,764)
		(13,905,492)	(12,421,343)
Changes in non-cash working capital items from discontinued operations			
Assets held for sale		1,146,702	-
Liabilities directly associated with assets held for sale		(463,068)	-
Cash flows used in operating activities		(13,221,858)	(12,421,343)
INVESTING ACTIVITIES			
Purchase of property and equipment from continuing operations	8	(235,676)	(779,266)
Proceeds from disposition of assets from continuing operations		915,000	669,130
Proceeds from disposition of assets from discontinued operations		109,089	-
Cash from (used in) investing activities		788,413	(110,136)
FINANCING ACTIVITIES			
Repayment from shareholder		-	67,685
Repayment of long-term debt		-	(20,000,000)
Proceeds from long-term debt, net of financing fees		-	12,000,000
Proceeds from revolving loan, net of financing fees		-	27,833,000
Proceeds from convertible debentures		9,411,983	-
Proceeds from credit facilities		2,970,559	(9,999,975)
Proceeds from (repayment of) debentures and other debt		982,139	(9,206)
Proceeds from (repayment of) related parties		(593,257)	102,933
Payment of finance lease obligations		(2,835,076)	(2,172,027)
Issuance of shares, net of share issuance costs		41,217	121,297
Cash flows from financing activities		9,977,565	7,943,707
NET CASH OUTFLOW		(2,455,880)	(4,587,772)
CASH, BEGINNING OF PERIOD		3,657,134	9,448,829
CASH, END OF PERIOD		1,201,254	4,861,057

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