



DIRTT Environmental Solutions Ltd.

Annual Information Form

For the Year Ended December 31, 2016

Dated March 8, 2017

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DATE OF INFORMATION

This annual information form (“AIF”) is dated as of March 8, 2017. Except as otherwise indicated, the information contained in this AIF is current as of December 31, 2016.

TRADEMARKS, TRADE NAMES AND SERVICE MARKS

This AIF includes trademarks, such as “ICE®”, “Doing It Right This Time®”, “i-Cube®”, “ICEcycle®” and “Breathe®” (word and logo), which are protected under applicable intellectual property laws and are the property of DIRT. Solely for convenience, the Company’s trademarks and trade names referred to in this AIF may appear without the ® symbol, but such references are not intended to indicate in any way that the Company will not assert, to the fullest extent under applicable law, its rights to these trademarks and trade names. All other trademarks used in this AIF are the property of their respective owners.

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain information and statements contained in this AIF constitute “forward-looking information” and “forward-looking statements” (collectively, “Forward-Looking Information”) as defined under applicable Canadian securities laws and the Company hereby cautions that certain important factors could cause the Company’s actual results or outcomes to differ materially from those projected in any Forward-Looking Information contained in this AIF. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions about future events or performance (often, but not always, through the use of words or phrases such as “will likely result”, “are expected to”, “will continue”, “is anticipated”, “believes”, “estimated”, “intends”, “plans”, “projection” and “outlook”) are not historical facts; may be forward-looking; and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in such Forward-Looking Information.

In particular and without limitation, this AIF contains Forward-Looking Information pertaining to the following: comments with respect to our revenue, objectives and priorities for 2017 and beyond; project timetables; the benefits of the DIRT Movers Program; the anticipated use of our credit facilities; comments with respect to the new GLC in London, England; our growth strategies and opportunities; our ability to meet working capital requirements and financial obligations; and our outlook for our operations and the Canadian, United States (the “US”) and international economies, and in particular, the US and Canadian construction industry.

With respect to Forward-Looking Information contained in this AIF, assumptions have been made regarding, among other things:

- the Company’s ability to manage its growth;
- competition in the Company’s industry;

- the Company's ability to enhance current products and develop and introduce new products;
- the Company's ability to obtain components and products from suppliers on a timely basis and on favorable terms;
- the Company's ability to obtain qualified staff and equipment in a timely and cost-efficient manner;
- the regulatory framework governing taxes in Canada, the US and any other jurisdictions where the Company currently or may conduct its business in the future;
- future development plans for the Company's assets unfolding as currently envisioned;
- future capital expenditures to be made by the Company;
- future sources of funding for the Company's capital program;
- the impact of increasing competition on the Company; and
- the Company's success in identifying other risks to its business and managing the risks mentioned below.

The Company's actual results or outcomes could differ materially from those expressed in the Forward-Looking Information contained in this AIF as a result of the risks normally encountered in its industry such as:

- maintaining and managing growth;
- history of losses;
- risks related to new technology;
- competition risks;
- operating results and financial condition fluctuations on a quarterly and annual basis;
- risks related to intellectual property;
- risks related to additional capital requirements;
- customer base and market acceptance;
- software and product defects and design risks;
- availability of key supplies;
- dependence on key personnel;
- commodity price risk;
- credit risk;
- the effect of government regulation;
- risks related to international expansion;
- risks related to physical facilities;
- legal risks;

- foreign currency and fiscal matters;
- risks related to future acquisitions;
- risks related to Forward-Looking Information;
- reliance on third parties; and
- conflicts of interest.

Since actual results or outcomes could differ materially from those expressed in the Forward-Looking Information provided by or on behalf of the Company, investors and others should not place undue reliance on any such Forward-Looking Information.

DIRTT cautions that the foregoing lists of factors are not exhaustive. Further, the Forward-Looking Information contained in this AIF is made as of the date hereof, and the Company undertakes no obligation to update such Forward-Looking Information to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by applicable Canadian securities laws. New factors emerge from time to time, and it is not possible for Management to predict all of these factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in Forward-Looking Information. No assurance can be given that these expectations will prove to be correct and such Forward-Looking Information contained in this AIF should not be unduly relied upon. In addition, this AIF may contain Forward-Looking Information attributed to third party industry sources.

The Forward-Looking Information contained in this AIF is expressly qualified by the foregoing cautionary statements. See *"Risk Factors"*.

MARKET AND INDUSTRY DATA

Certain market and industry data contained in this AIF is based upon information from government or other third party publications, reports and websites or based on estimates derived from such publications, reports and websites. Government and other third party publications and reports do not guarantee the accuracy or completeness of their information. While Management believes this data to be reliable, market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data-gathering process, and other limitations and uncertainties inherent in any statistical survey.

GLOSSARY OF TERMS

In this AIF, unless the context otherwise requires, the following terms shall have the meanings set forth below:

"3D" means three dimensional;

"ABCA" means the *Business Corporations Act* (Alberta), as amended, including the regulations promulgated thereunder;

"Audit Committee" means the Audit Committee of the Board, as constituted from time to time;

"Axios" means Agile Data Technologies, Inc. which conducted business under the name Axios Networks;

"Board" or **"Board of Directors"** means the board of directors of the Company, as constituted from time to time;

"Bitwave" has the meaning given to such term under the heading *"Directors and Executive Officers – Bankruptcies"*;

"CCAA" has the meaning given to such term under the heading *"Directors and Executive Officers – Bankruptcies"*;

"CEO" means Chief Executive Officer;

"CFO" means Chief Financial Officer;

"Code" means the Code of Conduct;

"Common Shares" means the common shares of the Company;

"Company", **"DIRTT"**, **"we"**, **"us"** or **"our"** means DIRTT Environmental Solutions Ltd. and where the context so requires includes all of the DIRTT Subsidiaries;

"COO" means Chief Operating Officer;

"Credit Facilities" means the revolving credit facility in the amount of up to US\$18,000,000;

"December 2012 Notes" means the 8.0%/14.0% senior subordinated convertible notes of the Company issued in December 2012;

"DIRTT Solutions" has the meaning given to such term under the heading *"Description of the Business – DIRTT Solutions"*;

"DIRTT Subsidiaries" means, collectively, those companies listed under the heading *"Corporate Structure – Inter-Corporate Relationships"*;

"DP" means Distribution Partner, a third party (often a furniture dealer) who enters into a formal agreement to market and sell DIRTT Solutions;

"EPS" has the meaning given to such term under the heading *"Directors and Executive Officers – Bankruptcies"*;

"Evans Consoles" has the meaning given to such term under the heading *"Directors and Executive Officers – Biographies"*;

"Forward-Looking Information" has the meaning given to such term under the heading *"Special Note Regarding Forward-Looking Information"*;

"GLCs" means Green Learning Centers, interactive spaces used to showcase DIRTT Solutions;

“ICE” or **“ICE software”** has the meaning given to such term under the heading *“Description of the Business – ICE Software”*;

“Ice Edge” means Ice Edge Business Solutions Ltd., a wholly owned subsidiary of the Company;

“IFRS” means International Financial Reporting Standards as defined by the International Accounting Standards Board and Canadian generally accepting accounting principles in accordance with Part I of the Handbook of the Canadian Institute of Chartered Accountants;

“IPO” means the Company’s initial public offering of 15,000,000 Common Shares for gross proceeds of \$45 million completed on November 28, 2013;

“Management” means the executive officers of the Company, including the executive officers of the DIRT Subsidiaries, where applicable;

“NI 51-102” means National Instrument 51-102, *Continuous Disclosure Obligations*, as amended from time to time;

“NI 52-110” means National Instrument 52-110, *Audit Committees*, as amended from time to time;

“NCIB” means normal course issuer bid;

“Options” means the stock options to purchase Common Shares granted under the Stock Option Plan;

“Preferred Shares” means the class A preferred shares of the Company;

“SEDAR” means the System for Electronic Document Analysis and Retrieval, the public filing system for public securities documents and information filed by public companies, which is maintained by the Canadian Securities Administrators (www.sedar.com);

“Shareholders” means the holders of Common Shares, from time to time;

“SMED International” has the meaning given to such term under the heading *“Directors and Executive Officers – Biographies”*;

“SolFocus” has the meaning given to such term under the heading *“Directors and Executive Officers – Bankruptcies”*;

“Spider” means Spider Agile Technology Inc.;

“Stock Option Plan” means the amended and restated incentive stock option plan of the Company;

“Tioga” has the meaning given to such term under the heading *“Directors and Executive Officers – Bankruptcies”*;

“TSX” means the Toronto Stock Exchange;

“United States” or **“US”** means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia;

“United Kingdom” or **“UK”** means the United Kingdom of Great Britain and Northern Ireland;

CORPORATE STRUCTURE

We combine our proprietary ICE® 3D design, configuration and manufacturing software, our suite of innovative prefabricated custom interior construction solutions and a unique go-to-market strategy utilizing our extensive network of Distribution Partners (“DP”). We are underpinned by a strong entrepreneurial culture and provide a unique, end-to-end solution for the inefficient and fragmented construction industry.

DIRTT stands for “Doing It Right This Time.”

By Doing It Right This Time we mean we feel there is a better way to build. We are working to create a positive shift in the construction industry by placing as much value on the environment and people using spaces as we do on beautiful and functional design. We use our proprietary ICE technology to create custom prefabricated interior solutions with minimal waste, fast lead times and a precise fit and finish.

In addition to rapid sales growth since the start of commercial sales in May 2005, our prefabricated interior construction solutions, technology and team members have won many awards and achieved numerous milestones.

Overview

The Company was incorporated under the ABCA on March 4, 2003, commenced operations in February 2004 and began commercial sales in May 2005. The articles of the Company have since been amended as follows: (i) on January 28, 2005, to remove share transfer restrictions and private company restrictions; (ii) on January 27, 2006, to add a conversion right to holders of existing class A common shares of the Company and to add an unlimited number of class D common shares to its authorized capital; (iii) on December 20, 2006, to change the rights, privileges, restrictions and conditions attached to the class A common shares of the Company, and to cancel the authorized but not issued class D common shares of the Company; (iv) on February 1, 2007, to change all outstanding class B common shares of the Company into the same number of class A common shares of the Company, to change the designation of class A common shares of the Company and class C preferred shares of the Company to preferred shares of the Company and to cancel the authorized but not issued class B common shares of the Company; (v) on March 15, 2011, to change the rights, privileges, restrictions and conditions attached to the Common Shares, to add 7,333,333 Preferred Shares to its authorized capital and to cancel the authorized but not issued preferred shares of the Company (as then constituted); and (vi) on May 14, 2014, to remove the Preferred Shares from its authorized capital. On September 29, 2012, the Company amalgamated with Spider and Axios was dissolved.

On November 28, 2013, the Common Shares were listed and posted for trading on the TSX. The Common Shares trade under the symbol “DRT”.

Our registered office is located at 4600, 525 - 8 Avenue S.W., Calgary, Alberta, T2P 1G1 and our head office is located at 7303 - 30 Street S.E., Calgary, Alberta, T2C 1N6.

Inter-Corporate Relationships

A list of the DIRTТ Subsidiaries, including the name, place of incorporation and proportion of ownership interest, is set out below:

Name	Place of Incorporation	Ownership Interest
DIRTT Environmental Solutions, Inc.	Colorado, US	100%
Ice Edge Business Solutions Ltd.	Alberta, Canada	100%
Ice Edge Business Solutions, Inc.	Delaware, US	100%
DIRTT Environmental Solutions Ltd.	England and Wales	100%

Organizational Chart



GENERAL DEVELOPMENT OF THE BUSINESS

History and Great Moments in DIRT

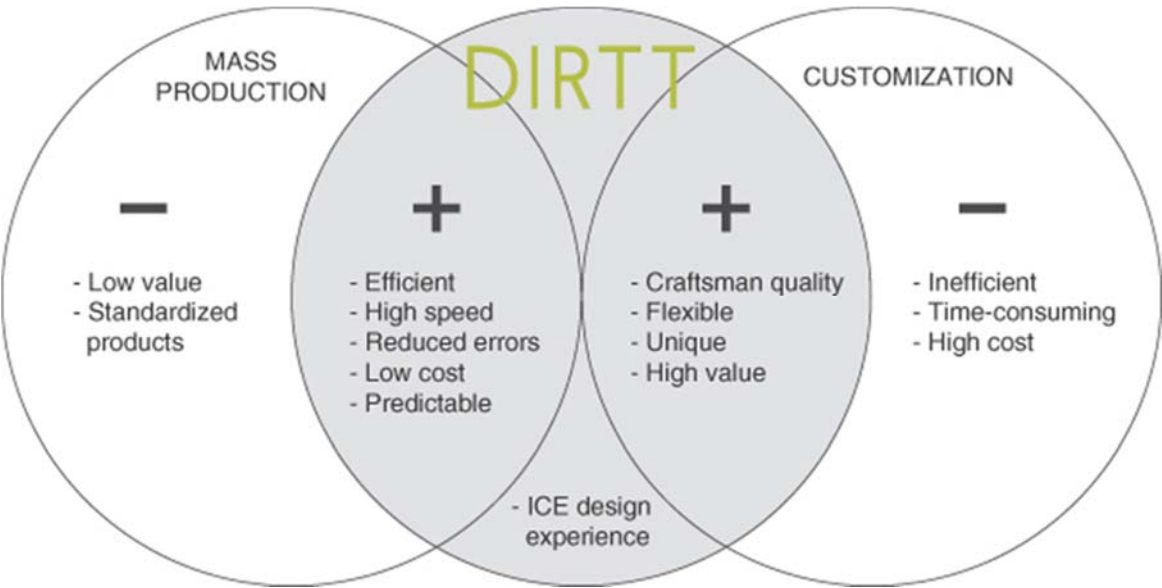
Year	People, Awards & Accolades	Technology & Solutions	Manufacturing, Distribution & Sales	Financings & Acquisitions
2014	Tracy Baker (COO) awarded with the Women in Manufacturing STEP Award	The Enzo™ Approach is launched, providing greater flexibility to interior construction	DIRTT surpasses \$187 million in annual sales	DIRTT completes a bought deal secondary offering, eliminating US\$5.0 million of the US\$10.0 million principal amount of the December 2012 Notes
	DIRTT is featured in McKinsey & Company's newest book, Resource Revolution: The Biggest Business Opportunity in a Century	The ICE Virtual Reality Experience using Oculus Rift is launched	DIRTT announces notice of contract in excess of US\$30 million	DIRTT converts the remaining US\$5.0 million principal amount of December 2012 Notes into 2.4 million Common Shares
2015	DIRTT's Enzo™ Approach wins CaGBC 2015 Green Building Product of the Year Award	DIRTT enters into a strategic collaboration with Corning Incorporated to bring Corning® Willow® Glass to DIRTT's suite of interior construction solutions	DIRTT surpasses \$235 million in annual sales	DIRTT completes a bought deal financing for gross proceeds of \$43.2 million
		Residential interiors and timber frame construction initiatives are launched		
2016	International Business of the Year Award – Medium Company – Governor's International	DIRTT unveiled its "Mixed Reality" (ICEreality™). This game-changing development overlays virtual reality on to the real world. The 3D design of a proposed interior space is placed into the real environment	DIRTT surpasses \$267 million in annual sales	DIRTT adds a new capital financing facility of US\$10.0 million in March of 2016 and was subsequently fully drawn by the end of the year

DESCRIPTION OF THE BUSINESS

Introduction

We combine our proprietary ICE® 3D design, configuration and manufacturing software, our suite of innovative prefabricated custom interior construction solutions and a unique go-to-market strategy utilizing our extensive network of Distribution Partners ("DP"). Our goal is to build and deliver complete, engaging, well-designed, high-quality spaces faster and more efficiently than traditional construction methods which often entail cost overruns, inconsistent quality, delays and significant material waste. Our proprietary ICE software has been designed to allow us to deliver an automated manufacturing process (two-week or better delivery target) that significantly decreases the construction timeframe compared to the conventional approach. Using ICE, we are focused on revolutionizing the interior construction industry by combining the speed, cost certainty,

sustainability and modularity of prefabrication with the custom dimensions, functionality and aesthetics of skilled trade construction. By providing realistic 3D visualization, cost certainty and significantly reduced lead times, ICE enables us to deliver a superior client experience, while combining the low unit costs of mass production processes with the flexibility of individual customization. This mass customization, combined with our highly entrepreneurial and client-focused culture, is the foundation of our success.



We reach the end users through regional DPs, many of whom are also Shareholders. While our operations are primarily and historically in North America, we recently expanded our DP network into the Middle East and Asia, and have established a DIRT T owned GLC in London England. We are not dependent on any one DP, DP’s client, vertical market, industry segment or minimum job size. Our DPs’ clients range from small owner-managed businesses to large multinational Fortune 500 corporations in a diverse range of vertical markets and industries including, but not limited to, healthcare, education, financial services, government and military, manufacturing, non-profit, energy, professional services, retail, and technology. Our DPs’ clients now include 188 of the Fortune 500 companies. As at December 31, 2016, our DPs had delivered DIRT T Solutions to more than 7,400 of their clients.

The largest individual project completed in DIRT T’s history was valued at US\$19.4 million, which was completed in early 2013. For the year ended December 31, 2016, our average project size was approximately \$87,000 (2015 - \$87,000), with the single largest project (on a per project order basis) being \$1.2 million (2015 - \$2.0 million).

Selected DPs' Clients

EDUCATION	Duke University Florida International University New York University North Carolina State University	SAIT Polytechnic Snow College UC Berkeley UC San Francisco University of Calgary University of Missouri	University of Phoenix
FINANCIAL SERVICES	Farmers Insurance GE Capital Haywood Securities	Logix Federal Credit Unions MFS Investment Management	Quicken Loans Suntrust
GOVERNMENT/MILITARY	AVCP Regional Housing Authority BC Ferries	BC Housing City of Surprise	Cold Climate Housing Research Center
HEALTHCARE	Adventist Health System Allina Health Clark/McCarthy, A Joint Venture (Camp Pendleton Naval Hospital) Evergreen Hospital Five Hills Health Region	Fraser Health Authority Gilead Sciences Highmark King Fahd Medical City (Saudi Arabia) Magruder Hospital Makkah Maternity and Children's Hospital (Saudi Arabia)	Polaris Pharmaceuticals Seattle Children's Hospital Tulsa Cancer Institute VA Medical Centers
PROFESSIONAL SERVICES	Alliance Defending Freedom Avison Young Canada North Environmental Services	CBRE Group Colliers International Cushman & Wakefield LLP Goodsill Anderson Hogan Lovells	Kasian Architecture Kilbourne Group Kimley-Horne and Associates MNP LLP
TECHNOLOGY	Luminex Panasonic	SaskTel Shaw	
SELECTED FORTUNE 500	Devon eBay EDF Renewable Energy	Enbridge Google Microsoft	Nordstrom Suncor

We have major manufacturing facilities in Calgary, Alberta; Phoenix, Arizona; and Savannah, Georgia, and a smaller manufacturing facility in Kelowna, British Columbia. In addition, we and our DPs have established several Green Learning Centers ("GLCs") to exhibit DIRT Solutions in various locations across North America, United Kingdom, the Middle East and India. Our manufacturing facilities have an annual production revenue capacity of approximately \$420 million.

The Conventional Construction Method

Conventional or traditional construction involves co-ordinating multiple specialists, trades and material suppliers and most of the work is completed at the building site.

The design and initial concepts are prepared by architects and designers using software such as AutoCAD or Revit. These programs are then combined with other programs to provide images, or renderings, for the client. General contractors, who often co-ordinate all of the trades and materials on-site, generally use two-dimensional design or shop drawings and finish schedules to guide the trades through the project. Construction

materials and third party manufactured components all come from various suppliers and vendors, most of whom use separate manufacturing processes and order systems.

The actual construction of conventional walls involves wood or metal studs delivered to the building site, cut to size and fabricated in place by framers using nails and screws to affix them to the base building. Electricians, data technicians and other laborers then install electrical and data wires, and power and data outlets, to the studs. The wires are connected to junction boxes in the ceiling or floor, which are then connected to main power and data rooms. All of these electrical and data connections are installed on a permanent basis.

Plumbers then mount copper and PVC piping to the studs and connect the piping to the main water supply for bathrooms, kitchens and the other parts of the building requiring plumbing. Once all of these trades have completed their work, drywall crews sheathe the wall frames with drywall or gypsum board which is cut to fit on site and generally fastened to the studs using screws. After the drywall or gypsum board has been installed, another crew tapes and muds the joints between the sheets to smooth out blemishes and gaps. The walls are generally painted or an alternative finish such as wallpaper can be applied.

Glass walls and doors are ordered and installed by separate contractors and glaziers. Carpet is then installed. Cabinetry and finishing carpenters can then install millwork and items such as crown moulding or other finishing touches prior to or after painting, depending on the conditions at the building site and the project schedule.

The process chart below compares a typical conventional construction approach versus the DIRTТ approach. With the power of ICE, DIRTТ removes the need for several steps required in conventional construction, allowing for faster project completion.



Empowered by ICE, we manufacture and deliver custom DIRTТ Solutions which replace conventional construction materials and substantially reduce on-site construction activity. ICE integrates the numerous work processes involved in conventional construction including design, sales, ordering, engineering, manufacturing specifications,

delivery and installation using a single underlying real-time engineering and manufacturing data set. General contractors supervise the installing of DIRT Solutions in a manner similar to conventional construction.

ICE Software

As of December 31, 2016, we have invested more than \$29.1 million in ICE. We believe ICE provides DIRT with the following unique and compelling business advantages:

1. ICE provides an interactive and immersive 3D video game-quality graphical presentation of a working environment, allowing clients to experience their new space prior to committing to an order. We have further enhanced this experience by integrating Virtual Reality and Augmented (or Mixed) Reality with ICE;
2. DPs use ICE throughout the sales process, allowing us to ensure a consistent and standardized process with all clients;
3. ICE provides an iterative product configuration process, allowing clients to customize their project design throughout the sales process;
4. ICE allows clients to see the total cost and trade-offs of different design decisions in real time throughout the sales process;
5. ICE simultaneously maintains an integrated bill of materials during the sales process that becomes a production work order once an order is finalized;
6. ICE simultaneously creates all project-specific data that is conveyed directly to the Computer Numerically Controlled machines (CNC), reducing lead times and deficiency rates.
7. ICE allows each production work order to be disaggregated as needed, with orders for specific parts routed to any of our factories based on project location, tooling or factory utilization;
8. ICE creates detailed installation instructions which guide installers in the construction process;
9. ICE allows an entire project to be tracked and managed across the chain of custody through sales, production, delivery, and installation; and
10. The ICE file (containing all of a project's engineering and manufacturing data) generated during the design and specification process can be used for optimizing future reconfigurations, renovations, technology integration initiatives and changes to a client's space.

We begin manufacturing custom DIRT Solutions for our DPs' clients once an ICE file is generated and a purchase order is received. Irrespective of the project size and complexity, the manufacturing process typically takes less than a week once raw materials are sourced.

ICE's capabilities allow us to target a two-week (or better) production and delivery time once a purchase order is received and the ICE file has been generated. ICE minimizes errors and reworks typically associated with

construction projects, generates significant working capital advantages from the reduced cycle times, and provides us the ability to fulfill rush orders.

ICE allows DIRTТ to “Wow, Win and Deliver”

“Wow”. ICE creates a 3D model using live data, allowing clients to “fly through” a space at any time during the design process, with any adjustments reflected dynamically. We believe this fly-through experience is unique in the industry and ensures all parties understand exactly what the client is getting. The use of 3D video game-style technology in a design environment is proprietary to DIRTТ. We believe this proprietary design feature and our other numerous patents are crucial to our business and underlie our success. We have further enhanced ICE’s capabilities by integrating it with Virtual Reality and Augmented (Mixed) Reality technologies. See “*Intellectual Property*”.

“Win”. We believe ICE provides us with a key competitive advantage to winning construction projects because it removes many of the uncertainties associated with the conventional construction process. We believe ICE’s product specification ability, combined with its ability to instantly engineer, create shop drawings and price quotes, are revolutionary in the industry. ICE automates other areas of the sales and manufacturing process as well, including product inventory and cataloguing, price quotation, order submission, parts manufacturing and production management.

“Deliver”. Once we are awarded a project, ICE lets us rapidly manufacture custom DIRTТ Solutions. The project-specific data created in ICE is conveyed directly to Computer Numerically Controlled (CNC) machines, reducing lead times and deficiency rates. We allocate production among our manufacturing facilities based on proximity and capacity. Regardless of which DIRTТ facility or facilities ultimately manufacture project components, ICE has been designed to ensure consistency of production results.

DIRTТ Solutions

We deliver complete interior space solutions: DIRTТ Walls; DIRTТ Power; DIRTТ Networks; DIRTТ Millwork; DIRTТ Ceilings; DIRTТ Floors and DIRTТ Timber Frame; or any combination of these components. All DIRTТ Solutions are designed to integrate seamlessly with one another and to be integrated into a client’s existing space. All new solutions seamlessly integrate with our legacy solutions.

DIRTТ Walls

DIRTТ Walls have been designed to seamlessly integrate today’s and future technology while supporting any and all furniture and millwork (cabinetry) on our patented horizontal support system. Fabricated with an aluminum frame, DIRTТ Walls may be glass and aluminum, or comprise panels such as Forest Stewardship Council (FSC) certified wood, back painted glass or medium density fiberboard clipped to the frame. DIRTТ Walls accommodate a range of available environmentally friendly finishes including non-toxic paint, veneers, thermofoil, willow glass, antimicrobial surfaces and any size of digitally printed graphics. DIRTТ Walls have been designed to replace conventional demising walls built with studs and drywall or gypsum board. DIRTТ Walls are

pre-finished and can incorporate DIRT Power and DIRT Network solutions (designed in ICE as part of the overall solution) in an effort to combine the activities of multiple trades including framing, electrical, data, drywall, taping, painting and finishing carpentry in one solution. Subsequent to installation, DIRT Walls can be reconfigured and/or repurposed, providing flexibility, reducing future expenditures and minimizing renovation disruptions.

DIRT Power

DIRT Power is a modular plug and play system designed for installing electrical wiring and can be used for prefabricated or conventionally constructed interiors. DIRT Power's simple connections and factory-tested assemblies are incorporated into the overall design of the space using ICE and have been designed to allow tasks usually handled by certified electricians to be completed by trained construction laborers. This brings down the cost of the power system, and saves installation time and provides for future flexibility or simplifies future reconfiguration.

DIRT Networks – including Passive Optical Networks (PON)

DIRT Networks complement DIRT Power and provide a modular plug and play data system. DIRT Networks, incorporated using ICE, help mitigate installation labor costs and provide ongoing flexibility through plug and play functionality. Data infrastructure components arrive at the job site pre-built and pre-tested, reducing installation time and costs.

DIRT recently added PON capabilities to its suite of solutions. This is a relatively new networking solution that leverages single mode fiber cables instead of traditional copper cables. This is done in an effort to drastically increase a client's bandwidth while reducing the cost, the footprint dedicated to network space, and the energy required to run the network.

DIRT Millwork

DIRT Millwork is fully customized cabinetry and other woodwork. DIRT Millwork has been designed to combine the speed and quality of a pre-manufactured solution with the custom, high performance of a tradesman's crafted solution. ICE provides parametric design capabilities for DIRT Millwork, which yields outstanding flexibility for existing interior environments or new spaces, without the additional costs or time usually associated with customization.

DIRT Ceilings/ Floors

DIRT Ceilings/ Floors are typically used in conjunction with DIRT Power and DIRT Networks, with the plug and play electrical and data systems imbedded in the floor in an effort to provide clients greater future flexibility for their power and infrastructure needs. DIRT Ceilings/ Floors are designed to install quickly and keep network and power components easily accessible.

DIRTT Timber Frame

DIRTT Timber Frame uses a combination of glued laminated timber (glulam) and cross-laminated timber (CLT) to create a range of architectural structures that integrate with DIRTT Walls and other solutions. Each timber element is connected through a series of woodworking joints which are precisely designed, detailed, and fabricated using state-of-the-art CNC technology. DIRTT Timber Frame gives our DPs, end users, and the architecture and design community the ability to express a variety of wood structures for both interior and exterior applications, which can also incorporate any other DIRTT Solutions. Wood is a truly sustainable building material, and our technology-enabled approach positions DIRTT Timber Frame as a natural extension of our existing approach to interior construction.

Industry Overview

Market Opportunity

In January 2017, Construction Dive, a well-read industry publication highlighted its top ten construction industry trends to watch in 2017, aided in part by Dodge Data & Analytics. The top ten trends they identified were:

1. Collaborative project delivery methods will become more popular;
2. The labor shortage will continue to plague the industry;
3. The feeling of uncertainty will linger under the new US administration;
4. Offsite/modular construction will gain a stronger foothold in the market;
5. Construction firms are cautiously optimistic for a future infrastructure spending boost;
6. IoT (internet of things) holds the potential to revolutionize the job site;
7. Construction costs will rise due to materials and labor;
8. Virtual Reality/Augmented Reality technology will pick up steam;
9. The sustainable construction movement will consider changing its message; and
10. Construction firms will face increased scrutiny and prosecution of safety and fraud incidents.

We believe many of these trends have already contributed to our sales growth and looking ahead will support further opportunities. DIRTT's ability to leverage our leading-edge ICE technology to present live construction files in a Virtual Reality/Augmented Reality environment allows increased collaboration and provides cost certainty to our DPs' clients.

Our innovative product solutions encourage design freedom and allow future flexibility at a cost advantage to conventional construction. All of this combined with state-of-the art manufacturing in a controlled environment, reduces lead times and reliance on unreliable job site labor and conditions.

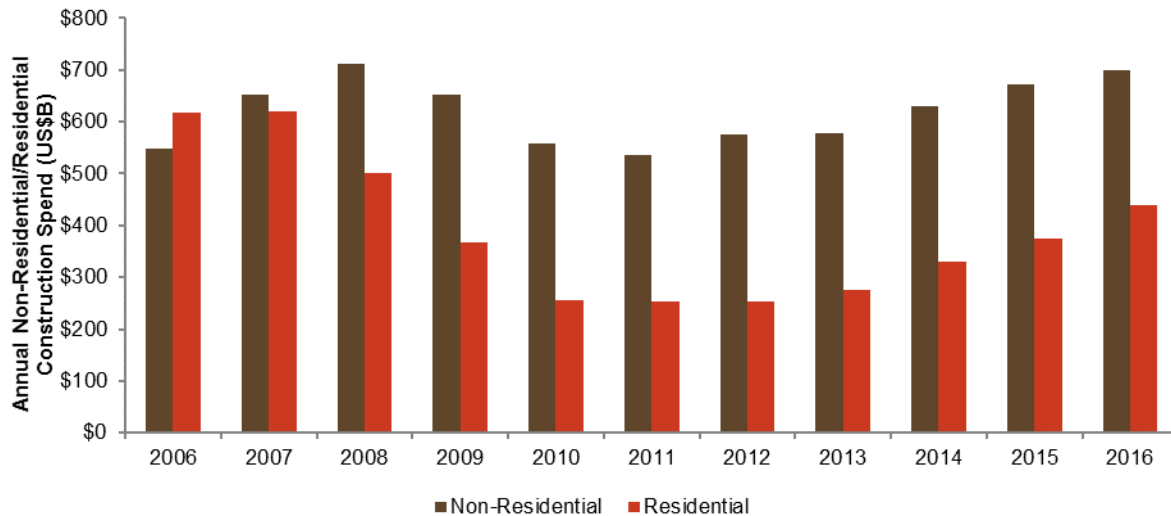
FMI Research Services estimates that US non-residential building Put in Place construction will exceed US\$500 Billion in 2017 and climb closer to US\$600 billion by 2020. Specifically, they forecast growth for 2017 in the office segment up eight (8) percent, commercial up six (6) percent, healthcare up four (4) percent and education up seven (7) percent. Access to skilled construction labor continues to be highlighted as a growing challenge. DIRTТ believes the overall market opportunity continues to be extremely large with most if not all macro trends supporting the opportunity for growth.

Construction is a major global industry and consists of building new structures, making additions and modifications to existing structures, as well as conducting maintenance, repair and leasehold improvements on existing structures. As an example, the total US construction market was US\$1.2 trillion in 2016, of which US\$700 billion was attributable to non-residential building and US\$463 billion was attributable to residential building [*Source: US Census Bureau*]. This includes both new building and renovation projects and non-building structures. For the year ended December 31, 2016, 87% of our revenue was generated in the US. Construction budgets of our DP's clients can fluctuate based on general economic and business conditions and, accordingly, improved general economic and business conditions are expected to contribute to an increased demand for DIRTТ Solutions. We believe we are well-positioned for future growth as the US market expands. To the extent that weak economic conditions have a negative effect on our DP's clients, demand for DIRTТ Solutions may be negatively affected.

A recent report from Allied Market Research (AMR) has projected that the global engineered wood market will be \$41.3 billion by 2022 (CAGR of 24.8% from 2016-2022). Demand is expected to remain high during this forecast period as engineered wood solutions are an alternative to concrete and hardwood. DIRTТ believes the advantages of wood versus concrete and other building materials are consistent with our other solutions, which speed up construction, cut labor costs, and reduce waste. [*Source: woodworkingnetwork.com*]

See "Risk Factors – Global Financial Crisis".

The following chart summarizes total annual non-residential and residential construction spending including non-building structures in the US since 2006.

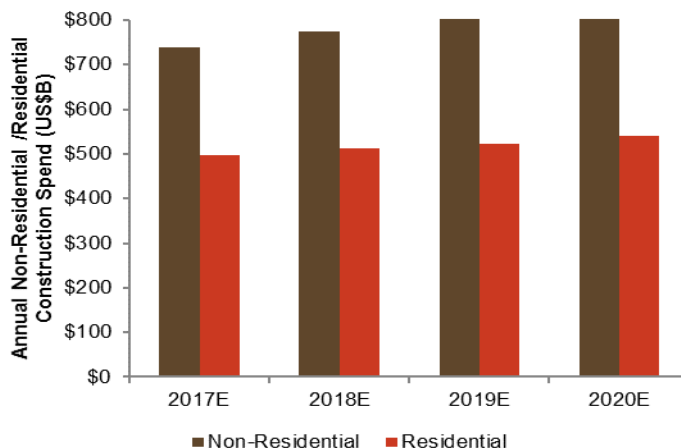


[Source: US Census Bureau www.census.gov/construction/c30/historical_data.html]

Favorable Construction Industry Trends

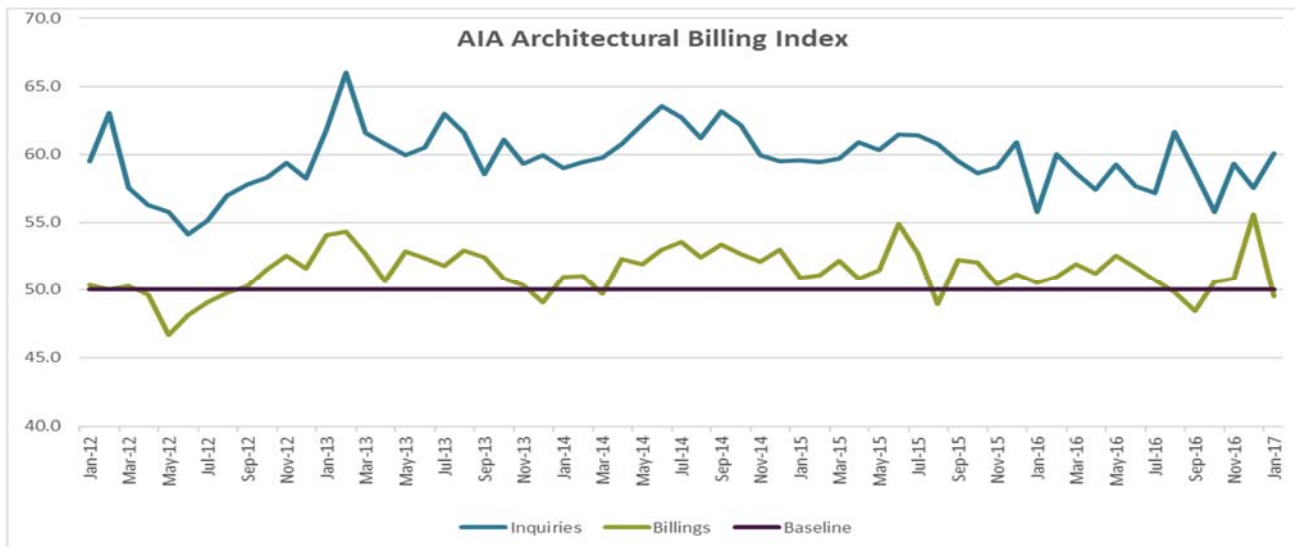
Increase in Total Construction Spending

Total US non-residential and residential construction spending was US\$700 billion and US\$463 billion, respectively, in 2016 and is forecasted to grow to US\$837 billion and US\$541 billion, respectively, in 2020. We believe long-term trends of population growth, deteriorating infrastructure and changing needs for buildings – driven by both socioeconomic and technological changes – all imply a continuing and growing need for construction activity.



[Source: FMI US Markets Construction Overview 2017]

The American Institute of Architects' (AIA) Architecture Billings Index (ABI) can be a useful leading economic indicator of how US non-residential billings activity could trend. The most recent January billings and design activity numbers showed a slight decline in billings activity nationally and regionally in the Midwest. However, the strong readings in project inquiries and new design contracts will likely help future billings activity. Both DIRT and the AIA believe these overall numbers still point to solid fundamentals that could support growth across all segments of the building industry for the next nine to 12 months.



[Source: The American Institute of Architects]

Increasing Adoption of Prefabricated Building Solutions

We believe market conditions causing compression of construction schedules and downward pressure on price have made productivity a strategic priority for the construction industry, causing contractors to reconsider construction methodologies. We believe greater use of technology, prefabrication, preassembly and modularization are the primary ways for the construction industry to improve productivity and efficiency. Prefabricated solutions also reduce construction risk by reducing lead and installation times, adding cost certainty and providing greater quality control.

Sixty-nine percent of construction firms struggle to fill craft positions and the aging workforce will continue to exacerbate this issue. (Source: *constructiondive.com*)

Increasing Conventional Construction Costs

Conventional construction costs are affected by labor costs, material costs and financing costs. We believe that significant cost pressures from inflationary factors such as increased labor costs, increasing material costs, rising interest rates and costs of capital further support DIRT's unique value proposition to its clients.

Focus on Space Flexibility and Emphasis on Design

We believe that clients are becoming increasingly focused on renovating and building interiors with future flexibility, integration with technology and attention to design.

Conventional Construction Challenges and How DIRT Addresses Them

Conventional Construction Challenges	How DIRT Addresses These Challenges
Unpredictability	The construction industry faces many uncertainties. Changes to material orders or timelines can add additional costs and delays to a project. Communication errors can lead to large increases in material and labor costs. Our proprietary ICE software has been designed to automate the entire construction process, from design, specification and pricing to preparation of shop drawings, manufacturing data for DIRT and suppliers, and installation drawings and elevations. This allows us to surpass industry standard lead times with cost certainty and precision high quality.
Limited Customization	In conventional construction, standard sizing of materials and components and construction methods often limit the amount of customization a designer can provide at a reasonable cost. Our proprietary ICE software integrates parametric design with computer-aided design (CAD) technology to allow clients to design complete, custom solutions for their interior space with a virtually infinite variety of materials and configurations.
Poor Quality Control	Conventional construction can struggle with consistency and quality requiring frequent and costly rework. Prefabrication relies on automation and a controlled manufacturing environment to produce consistent, high-quality but highly standardized solutions. Our manufacturing team uses sophisticated technology closely integrated with a controlled manufacturing environment to significantly reduce construction deficiencies and errors, while producing a fully customized solution.
Reconfiguration and Future Flexibility	Relocation and renovations can be costly undertakings and often require significant human capital as well as time. DIRT Solutions are designed for ultimate flexibility and interconnectivity with whatever technology, furniture, millwork or DIRT Solutions were previously used, or will be used in the future. This allows clients to reconfigure and repurpose their space while reducing messy and time-consuming demolition and waste removal.
Inefficient Project Management and Execution	Conventional construction often requires general contractors to manage all aspects of installation following a rigid sequencing process. Typically, wall framing must be constructed followed by floors and electrical and data networks. This process is then followed by drywalling,

taping, painting and finishing carpentry. Carpet must then be laid around the walls. All of these steps generate significant waste. Certified tradesmen are generally required to install every aspect of the project and the sequencing of trades on-site and mandatory inspections and signoffs can cause serious delays.

ICE reduces potential human error throughout the design, specification, manufacturing and installation process. DIRT Solutions include the various components of conventional construction – walls, power, data and millwork. However, unlike the conventional approach where raw materials are delivered and then cut to fit, DIRT components arrive on-site organized, labeled and ready to be installed. DIRT Solutions are designed to reduce the potential for execution errors by reducing the number of trades and time required on-site.

Labor Challenges

Access to skilled labor is a challenge in many markets. Skilled tradespeople shortages are common and unskilled workers frequently fill the void. We believe that amalgamating the processes normally handled by skilled trades into an integrated solution relying on ICE reduces the dependence on skilled trades required to provide a high-quality, customized product.

DIRT'S Competitive Advantages

Our leading market position as a technology provider and manufacturer of prefabricated, custom, sustainable interior construction solutions is based on three distinct competitive advantages, all of which are supported by our unique culture.

Our culture is the foundation upon which we were built, and we strongly believe it provides us with a unique, and difficult to duplicate, competitive advantage. We strive to maintain a culture that fosters pride in every project and, specifically, in the unique solutions we provide to each of our DPs' clients. Our customer-centric focus helps to build a strong, lasting relationship between our DPs' clients and ourselves in an effort to ensure our DPs' clients choose to use us again in the future.

Within our offices, our objective is to create working areas that promote teamwork, creativity, problem-solving and collaboration. We believe the very nature of ICE, and the custom solutions it is designed to provide, naturally leads to a culture of creativity. This creativity is further enhanced through our unique collaborative work environment which includes open work areas where no employee is given a private office, full service kitchens and eating areas for all employees, weekly social events and gatherings, as well as numerous fundraising, community service or other events that give employees an opportunity to work together in a non-

traditional work environment. We believe each of these things contribute to creating a fun, challenging and rewarding work environment. A significant number of employees are also Shareholders.

Well-trained and highly motivated employees are critical to developing and growing the business. Superior customer service and delivery are key to achieving the highest level of client satisfaction. We have fostered a culture of empowerment whereby employees are encouraged to find solutions and make decisions to ensure that each client has an outstanding experience.

Advanced Proprietary Technology

We believe our advanced proprietary technology is unique in the industry and are not aware of any competitor that possesses technology that integrates sales, order, engineering and manufacturing configurations and delivery and installation processes in a single software platform. Our proprietary technology is established and protected by 138 patents (another 162 patents have been applied for). See “*Intellectual Property*”.

ICE automates much of the skilled labor conventionally required to quote and manufacture interior construction solutions, including the time-consuming and error-prone steps of design submission, product specification, quotation, order submission, parts manufacturing and production management. This enables us to reduce overall project timelines and deficiencies. ICE produces components from live data, unlike conventional methods of manually revising legacy data. We believe that ICE gives us a significant advantage over our competitors, who typically utilize a series of unrelated software platforms rather than a single, unified software solution such as ICE.

Distribution Partner and Sales Network



As at December 31, 2016, we had 103 DPs in 184 locations. DPs are required to invest in their own regional DIRTТ team consisting of at least one DIRTТ champion, one designer and one project manager; in GLCs to demonstrate the potential of DIRTТ Solutions to their clients; and to purchase an ICE software package. More than 643 staff are currently employed by DPs, at no cost to us, dedicated to supporting our sales, project management, service and increasing market awareness in markets served by the DP. DPs use ICE to provide marketing presentations, show 3D video game quality visuals, live demonstrations, project designs and detailed specifications for ordering DIRTТ Solutions. Over the last three years, our DPs invested an average of approximately \$2.0 million per year in DIRTТ Solutions for their GLCs. We believe these investments by the DPs build brand acceptance and awareness in the markets they serve. We also believe DIRTТ Solutions represent an opportunity for DPs to generate significant revenues, address growth markets, establish themselves as technology leaders in their respective territories, and reach new customers for other construction, furniture and commercial space solutions in their portfolios.

We support our DP network with direct DIRTТ sales representatives who work in concert with DPs' DIRTТ champions. DIRTТ industry and product experts work with DPs on business development initiatives. Our project

managers and field technicians provide specific project support and after-market service with the DPs to ensure a strong client experience throughout the construction process.

DIRTT Movers Program

In January 2016, DIRTT unveiled its DIRTT Movers Program. This program focuses on a select group of 18 highly promising DPs who demonstrated strong growth and exhibit many of the characteristics of DIRTT's best performing DPs. The DPs participating in the program are required to attend a series of training sessions and events, as well as commit the required resources to training and specific business development engagements. DIRTT, for its part, provides additional business development, marketing and strategic planning resources to support these DPs. From 2015 to 2016, total revenue growth from these 18 DPs was 27.9%. For 2017, DIRTT has identified 15 new DPs to participate in the 2017 DIRTT Movers Program, all of whom we believe, can achieve significant growth with added investment and support.

DP GLC Loan Program

In November 2015 DIRTT unveiled a DP financial support program to drive expanding, updating and building out DP GLCs to ensure that they are showcasing the latest DIRTT offerings and solutions. DIRTT and our DPs have seen an increase in local market interest and activity when a GLC expansion, update or new build-out takes place. The program provides a 36-month interest-free loan valued at up to \$105,000 for DPs who invest in their GLC. The build-out/expansion must meet certain criteria including, but not limited to, showcasing solutions for healthcare, exhibiting Corning® Willow® Glass, and incorporating the full suite of DIRTT Solutions. The program was initially intended to run from November 2015 to May 2016 but based on requests from DPs has been extended to December 31, 2017. As at December 31, 2016, five (5) US DPs and two (2) Canadian DPs enrolled in the program for an outstanding loan balance of approximately \$0.7 million.

Unique, Innovative End-to-End Solutions

We believe the extensive industry knowledge of our leadership team allows us to constantly innovate and develop our solutions and technology. While a substantial number of conventional construction companies can build interiors similar to DIRT Solutions, we believe we are the only company able to provide an integrated, technology-based end-to-end solution in the marketplace. Furthermore, ICE allows clients to design complete custom plans with an extensive variety of materials and configurations. Modular products, such as partitions or demising walls, often had a reputation for being cheap and undesirable in the 1990s and early 2000s. The palette in ICE has been designed to overcome these objections by allowing designers to choose materials to suit the most discriminating client taste and budget. Our philosophy in approaching product development is that products should not constrain future flexibility. Accordingly, our product solutions and DIRT Solutions have been, and continue to be, designed to work seamlessly with current design iterations and new solutions, and to be re-configured to work with whatever third party technologies or solutions a client requires. This approach to product development, together with the design capabilities of ICE, underlies DIRT's ability to provide an end-to-end solution for clients and has resulted in numerous patents and proprietary design features. Furthermore, DIRT's relentless pursuit of innovation in all of its solutions provides a unique competitive advantage.

Competition

The overall market for interior construction is fragmented and highly competitive. Our competitors include: conventional construction firms; framers; drywallers; painters; electricians; cabinet-makers; interior product designers; and modular systems manufacturers. We view conventional construction firms and individual tradespeople as our main competitors. However, all of our competitors bid on construction projects (or certain aspects thereof). We expect competition to increase as the construction market continues to improve.

We believe the principal competitive factors in the interior construction industry include the following:

- speed: manufacturing lead and installation times, pricing quotations;
- price: overall project costs;
- 3D visualization as well as virtual reality;
- quality: high-quality, durable solutions;
- capability: multiple, innovative solutions;
- capacity: ability to support multiple facilities and solution designs in parallel;
- customization: ability to offer completely customized high-end manufactured solutions, cost competitively; and
- service: overall customer experience, from sales to delivery and post-delivery.

We believe that we compete favorably with respect to the foregoing factors. See *"DIRT's Competitive Advantages"*. However, many of our current competitors and future competitors have substantially greater

name recognition, longer operating histories, larger marketing budgets and significantly greater resources than us. Our competitors may be able to devote greater resources to developing, promoting and selling their products and services than us, which could allow them to respond more quickly and effectively to new technologies and changes in customer needs. Additionally, we could face short-term pricing pressure on large construction projects from our competitors who take on projects at a “loss” to ensure continuity of work. Lastly, our competitors may offer or develop products or services that are superior to DIRTТ or that achieve greater market acceptance. See *“Risk Factors – Competition”*.

Growth Strategy

Increase Penetration of Existing Markets

We believe a significant opportunity exists to have clients place new orders for additional DIRTТ Solutions, as well as to encourage others within the same market to invest in DIRTТ Solutions. Increasing repeat business is expected to be a crucial aspect of our growth strategy. Since 2010, our DPs’ repeat client list has included diverse industry leaders such as Duke University, Enbridge Inc., Google Inc., Microsoft Corporation, Ministry of Health - Kingdom of Saudi Arabia, Panasonic Corporation, Seattle Children’s Hospital, Suncor Energy Inc. and University of Phoenix, Inc.

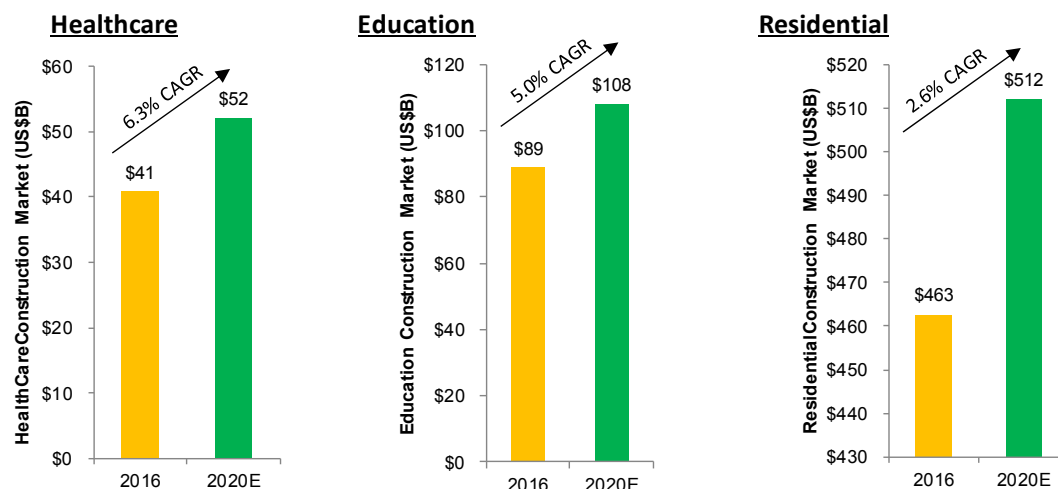
Our dedicated sales team work in collaboration with the DPs’ sales team members to identify project opportunities. In addition, DPs are responsible for local project support, including installation and after-sales support. We support our DP network by:

- further developing our proprietary technology and expanding DIRTТ Solutions;
- hiring additional DIRTТ industry experts, business development team members and DIRTТ sales team members;
- providing further networking and training opportunities; and
- expanding sales and marketing efforts to general contractors and the construction industry as a whole.

Our rapid growth since we began commercial sales in May 2005 has resulted in numerous potential DPs expressing interest in representing DIRTТ in their local and regional markets. We analyze these potential partners for market strength, business acumen, market history, potential investment, and industry credentials. In addition, we identify new potential DPs through referrals and introductions by clients, architects, designers and construction professionals.

Target New Industry Verticals

We initially focused on commercial spaces and have since expanded to include government, healthcare, education, and residential sectors. Significant growth is expected in healthcare, education, and residential sectors as illustrated below and targeting these sectors has significantly expanded our addressable market:



[Source: FMI US Markets Construction Overview 2017]

Expand to New Geographic Markets

Historically, we have derived virtually all of our revenue from North America, with periodic international projects completed for North America-based DPs. We plan to add new DPs to pursue clients in new geographic markets outside of North America. In 2011, we partnered with our first international DP in Saudi Arabia. Two subsequent international DPs in South Korea and India were added in 2012. We are currently exploring further international partnership opportunities in Kuwait, the United Arab Emirates, South Korea, Singapore and the United Kingdom and will continue to identify future expansion opportunities as they arise. We've recently opened GLCs in London and Singapore.

Continue to Invest in ICE and Innovative Interior Construction Solutions

We believe DIRT Solutions are a viable alternative to conventional construction in all sectors of the construction industry, and that a continued increase in construction activity can be expected to result in a continued increase in our revenues. We plan to invest additional resources, including further developing ICE and developing new DIRT Solutions and test projects, to pursue further opportunities in the healthcare, education and residential sectors of the construction industry. Our product development team has been, and will continue to be, expanded to address industry specific challenges and opportunities.

Strategic Partnerships

We believe in partnering with industry leaders to monetize innovative solutions. We recently entered into a strategic collaboration with Corning Incorporated, one of the world's leading innovators in materials science, to bring Corning® Willow® Glass to our suite of interior construction solutions. We will see strong operational efficiencies in manufacturing our interior construction solutions with the use of Willow Glass. Our DPs' clients will notice key benefits, such as improved accuracy, more rapid delivery, freight savings up to 70%, enhanced acoustic performance, and a wide array of design opportunities. We continue to partner with industry leaders

to monetize innovative solutions – a recent example of which is the integration of ICE with SAP’s enterprise resource planning system (ERP) completed in January 2017.

Intellectual Property

Our patents, trademarks, service marks, trade dress, trade secrets, copyrights, domain names and other intellectual property are crucial to our business. We rely on patent, trademark and copyright law, trade secret protection and confidentiality and/or licence agreements with our employees, users, vendors and others to protect our proprietary rights. We register our patents and trademarks as we deem appropriate. As of December 31, 2016, we had patents relating to various aspects of the DIRT Solutions and ICE as follows:

Jurisdiction	Granted Patents	Applications Pending
Canada	39	46
United States	76	46
European Union	23	36
Singapore	-	20
Patent Cooperation Treaty	-	7
Other	-	7
Total	138	162

Patents of Note

Integrated Reconfigurable Wall System – US patent 8,024,901 / Canadian patent 2,516,083

This patent protects the flexibility, modularity and re-configurability of DIRT Walls. We believe that the product behaviors protected by this patent represent the core foundation behind our goal to provide completely custom solutions with the ability to reconfigure with minimal time and effort. This patent includes numerous dependent claims which cover imbedded multimedia components and horizontal mounting system for componentry.

Design Software Incorporating Efficient 3D Rendering – US patent 7,249,005 / Canadian patent 2,577,205

This patent protects the unique utilization of 3D video-game technology in ICE. We believe the manner in which ICE leverages video-game engines for its 3D environment allows us to create much larger design models while providing much smoother intuitive navigation of the design compared to other commercially available design programs.

Capturing a User’s Design Intent Using Resolvable Objects – US patent 7,277,830 / Canadian patent 2,577,202

This patent protects ICE’s ability to continually re-calculate the data and all related components and information involved in the design as the client introduces new components or changes existing components.

Integrating Object-Oriented Design Software with Record-Base Computer-Aided Design (“CAD”) Software – US patent 7,908,296

This patent protects ICE’s capability for integration with other CAD applications such as AutoCAD. Other design software solutions utilize basic import/export functionality or additional middleware integration software in an effort to mitigate integration of various third party CAD applications between multiple applications. We believe ICE offers the only true seamless integration with CAD applications, whereby any change made in one CAD application is instantly and accurately represented in the other.

Moveable Walls for On-Site Construction – US patents 8,015,766 / US patent 8,176,707

The product behaviors protected by these and related patents cover the core DIRTТ flexibility and reconfigurability while providing for on-site assembly of DIRTТ Walls. This patent also protects the process we use to complete glass wall configurations without the requirement for vertical members between glass panes, providing a seamless front wall whether straight, faceted or curved.

Employees

As of December 31, 2016, we had 1,041 full-time employees in the following functional areas:

Functional Areas	Number of Employees
Production	609
Sales and marketing	95
Project management and support	119
ICE	83
Executive and administration	135
Total	1,041

Properties

We manufacture the DIRTТ Solutions in three (3) major facilities located in the Northwest, Southeast and Southwest quadrants of North America, leading to reduced transportation times and costs. We have major manufacturing facilities in Calgary, Alberta; Phoenix, Arizona; and Savannah, Georgia, and a smaller manufacturing facility in Kelowna, British Columbia. In addition, we and our DPs have established several GLCs to exhibit DIRTТ Solutions in various locations across North America, United Kingdom, the Middle East and India. We believe a further key advantage of ICE is its ability to support distributed manufacturing in smaller, responsive facilities closer to clients, creating additional efficiencies.

Canada

Our corporate headquarters are in Calgary, Alberta in a leased 72,549 square foot office space, GLC and millwork factory. We also lease two manufacturing facilities with a total of 321,645 square feet and a 36,253 square foot distribution center in Calgary, Alberta, and a 26,718 square foot manufacturing facility in Kelowna, British Columbia. We have a GLC in Toronto, Ontario that is leased by DIRTТ.

United States

We lease a 71,855 square foot manufacturing facility and two distribution centers with a total of 49,123 square feet in Phoenix, Arizona; and an 81,000 square foot manufacturing facility in Savannah, Georgia. Ice Edge Business Solutions, Inc. has an office facility in Salt Lake City, Utah which is leased. We have GLCs in Chicago, New York City, San Francisco and Los Angeles. Our GLC in Chicago is owned by us while the other GLCs are leased by DIRT.

United Kingdom

DIRT and one of our US DPs have leased office space in London, United Kingdom. It includes a GLC that serves the Middle East and European markets.

Singapore

DIRT and a local investment firm have leased office space in Singapore. It includes a GLC that services the Asian market.

RISK FACTORS

Following is a brief discussion of those distinctive or special characteristics of our operations and industry that may have a material impact on, or constitute risk factors in respect of, our operations and future financial performance. Additional risks not currently known by us, or that we currently deem immaterial, may also impair our operations.

Maintaining and managing growth

Our success will depend in part on our ability to maintain and manage growth effectively. To manage the expected growth of our operations and personnel, we will need to continue to improve our operational, financial and management controls and reporting systems and procedures. Failure to effectively manage growth could result in difficulty in implementing products or securing customers and Distribution Partners; declines in quality or customer satisfaction; increases in costs; and difficulties in introducing new features or other operational difficulties. Any of these difficulties could adversely impact our business performance and results of operations.

History of losses

We have incurred significant losses since our inception and have only been profitable for the years ended December 31, 2016, December 31, 2015, December 31, 2014, September 30, 2010 and September 30, 2009. Recently, we have incurred net losses of \$16.5 million for the year ended December 31, 2013; \$7.1 million for the 15 months ended December 31, 2012 and \$4.8 million for the year ended September 30, 2011. As at December 31, 2016, we had an accumulated deficit of \$32.0 million. These losses and accumulated deficit were due in part to the substantial investments made to grow our business and acquire customers, to further develop

our service offerings through product and software development, and to ensure that we have sufficient production capacity and capability to deliver on our commitment of rapid delivery times. We expect our operating expenses to increase in the future due to an expected increase in sales and marketing expenses, product development costs and general and administrative costs. Readers should not consider our revenue growth as indicative of our future performance. There can be no assurance that we will achieve and/or sustain profitability in the future.

New technology

Our success will depend in part on our ability to develop our software and products that keep pace with the continuing changes in technology, evolving industry standards and changing client preferences and requirements. Our software and products embody complex technology that may not meet those standards, changes and preferences. We may be unable to successfully address these developments on a timely basis, or at all. Failing to respond quickly and cost-effectively to new developments by developing software and new products, or enhancing to existing software and products, could cause us to be unable to recover significant research and development expenses and could reduce our revenue.

Competition

We operate in a highly competitive industry that is constantly evolving and changing. We expect this competition to increase as new competitors enter the market. Many of our competitors may have greater financial, technical, sales, production and marketing resources. There is no assurance that we will be able to compete on the same scale as these companies. Such competition may result in reduced sales, reduced margins or increased operating expenses.

Operating results and financial condition may fluctuate on a quarterly and annual basis

Our operating results and financial condition may fluctuate from quarter-to-quarter and year-to-year, and likely will continue to vary due to a number of factors, some of which are outside of our control. Furthermore, our actual or projected operating results may fail to match our past performance. These events could in turn cause the market price of the common shares to fluctuate. If our operating results do not meet the expectations of securities analysts or investors, who may derive their expectations by extrapolating data from recent historical operating results, the market price of the common shares will likely decline.

Our operating results and financial condition may fluctuate due to a number of factors, including those listed below and those identified throughout this “Risks Factors” section:

- the development of new competitive products or processes by others;
- the entry of new competitors into our market whether by established companies or by new companies;
- changes in the size and complexity of our organization, including our international operations;
- levels of sales of our products and services to new and existing customers;

- the geographic distribution of our sales;
- changes in customer preferences or needs;
- changes in the amount that we invest to develop, acquire or license new products and processes, which we anticipate will generally increase and may fluctuate in the future;
- delays between our expenditures to develop, acquire or license new products and processes, and the generation of sales related thereto;
- our ability to timely and effectively scale our business during periods of sequential quarterly or annual growth;
- limitations or delays in our ability to reduce our expenses during periods of declining sequential quarterly or annual revenue;
- changes in our pricing policies or those of our competitors, including our responses to price competition;
- changes in the amount we spend in our marketing and other efforts;
- unexpected increases in expenses as compared to our related accounting accruals or operating plan;
- the volatile global economy;
- falling energy prices;
- fluctuations in the US dollar against the Canadian dollar;
- general economic and industry conditions that affect customer demand and product development trends; and
- changes in accounting rules and tax and other laws.

Due to all of the foregoing factors and the other risks discussed in this “Risks Factors” section, readers should not rely on quarter-to-quarter or year-to-year comparisons of our operating results as an indicator of future performance.

Intellectual property

Our success will depend in part on our ability to obtain patents, maintain trade secrets and protect unpatented know-how, and to operate without infringing on the proprietary rights of third parties or having third parties circumvent our rights. We rely on a combination of contract, copyright, patent, trademark and trade secret laws, confidentiality procedures and other measures to protect our proprietary information. There can be no assurance that the steps taken will prevent misappropriation of our proprietary rights. Our competitors could also independently develop technology similar to our technology. Although we do not believe that our software or products infringe on the proprietary rights of any third parties, there can be no assurance that infringement or invalidity claims (or claims for indemnification resulting from infringement claims) will not be asserted or prosecuted against us, or that any such assertions or prosecutions will not adversely affect our business,

financial condition or results of operations. Irrespective of the validity or the successful assertion of such claims, we could incur significant costs and diversion of resources with respect to the defence thereof, which could have an adverse effect on our business.

Additional capital requirements

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to expand sales and marketing activities; develop our Distribution Partner network; develop new software, products or features; enhance our operating infrastructure; and acquire complementary businesses and technologies. Our cash flow from our reserves may not be sufficient to fund our ongoing activities at all times. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of common shares. Any debt financing secured by us in the future could involve restrictive covenants relating to our capital-raising activities and other financial and operational matters, which might make it more difficult for us to obtain additional capital and to pursue business opportunities. We can provide no assurance that sufficient debt or equity financing will be available for necessary or desirable infrastructure expenditures or acquisitions or to cover losses, and accordingly, our ability to continue to support our business growth and to respond to business challenges could be significantly limited.

Customer base and market acceptance

While we believe we can grow our DPs' client base, our inability to grow such a client base could have a material adverse effect on our business. Although we believe that our products offer advantages over competitive companies and products, no assurance can be given that our products will attain a degree of market acceptance on a sustained basis, or that they will generate revenues sufficient for sustained profitable operations.

Software and product defects and design risks

Our software and products are complex and must meet the stringent technical requirements of our customers. Our products may contain undetected errors or defects. In addition, ICE may also experience quality or reliability problems. ICE may contain bugs and other defects that interfere with its intended operation. The foregoing could result in clients rejecting our products and damage to our reputation, repair and remediation costs and lost revenues, any of which could harm our business. Although we have product and errors and omission liability insurance, there is no assurance that such insurance will be sufficient or will continue to be available on reasonable terms. In addition, we provide our DPs and their clients with a warranty on products we manufacture. The warranty generally provides that products will be free from defects for a period of 10 years. If a product fails to comply with the warranty, we may be obligated, at our expense, to correct any defect by repairing or replacing the defective product. Although we maintain warranty reserves in an amount based

primarily on production and on historical and anticipated warranty claims, there can be no assurance that future warranty claims will follow historical patterns or that we can accurately anticipate the level of future warranty claims. An increase in the rate of warranty claims or the occurrence of unexpected warranty claims could materially and adversely affect our financial condition, results of operations and cash flows.

Availability of key supplies

We rely on certain key suppliers for raw materials and components, and no assurances can be given that we will not experience delays or other difficulties in obtaining supplies, as a result of trade disputes or other matters. While no single vendor currently supplies more than 10% of the raw materials we use, the raw materials used in certain operations are available only through a limited number of vendors. Although we believe there are alternative suppliers for most of our key requirements, if our current suppliers are unable to provide the necessary raw materials or otherwise fail to timely deliver products in the quantities required, any resulting delays in manufacturing or distributing existing products could have a material adverse effect on our results of operations and financial condition.

Dependence on key personnel

Our success largely depends on the performance of our key personnel. The unexpected loss or departure of any of our key officers or other employees could be detrimental to our future operations. Our success will depend in part on our ability to attract and retain qualified personnel as they are needed. The competition for highly skilled technical, research and development, management, sales and other employees is high in our industry. There can be no assurance that we will be able to engage the services of such personnel or retain our current personnel.

Commodity price risk

We are subject to commodity price risk relating principally to fluctuations in material prices used in the supply chain, such as aluminum, which could materially and adversely affect our business, financial condition and results of operations. In an effort to mitigate these risks, we seek to enter into long-term arrangements with our supplier base.

Credit risk

We have undergone significant sales growth resulting in a significant growth in our Distribution Partner network and client base. As a result, we have an increasing exposure to credit risk related to trade balances owing from our Distribution Partners and their clients. In the normal course of business, we monitor the financial condition of our Distribution Partners and their clients and review the credit history of our new Distribution Partners and their clients to establish credit limits. We establish an allowance for doubtful accounts that corresponds to the credit risk of our Distribution Partners and their clients, historical trends, and economic circumstances. We could realize losses if Distribution Partners and their clients default on their balances owing.

Government regulation

Our products are subject to government regulation in the US and Canada and other regions in which we operate. Although we believe we have obtained the necessary approvals for the products that we currently sell, we may not be able to obtain approvals for future products on a timely basis, or at all. In addition, regulatory requirements may change or we may not be able to obtain regulatory approvals from countries in which we may desire to sell products in the future.

International expansion

A key element of our growth strategy is to expand our international operations and develop a worldwide Distribution Partner network and client base. To date, we have not realized a material portion of our revenue from customers outside of the US and Canada. Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic and political risks that are different from those in the US and Canada. Because of our limited experience with international operations, we cannot guarantee our international expansion efforts will be successful. In addition, we will face risks in doing business internationally that could adversely affect our business, including:

- our ability to comply with differing technical and certification requirements outside of the US and Canada;
- difficulties and costs associated with staffing and managing foreign operations;
- difficulties in integrating foreign operations and maintaining an enterprise-wide consistent corporate culture;
- potentially greater difficulty collecting accounts receivable and longer payment cycles;
- unexpected changes in regulatory requirements;
- the need to adapt the ICE software and products for specific countries and languages;
- difficulties in understanding and complying with local laws, regulations and customs in foreign jurisdictions;
- tariffs, export controls and other non-tariff barriers such as quotas and local content rules;
- more limited protection for intellectual property rights in some countries;
- adverse tax consequences;
- fluctuations in currency exchange rates;
- restrictions on the transfer of funds; and
- new and different sources of competition.

Our failure to manage any of these risks successfully could harm our existing and future international operations and seriously impair our overall business.

Physical facilities

We have facilities at several different locations, as well as component inventory and capital assets at third-party manufacturing facilities. Tangible property at each location is subject to risk of fire, earthquake, flood, and other natural acts of God. In the event of such events or acts, there could be delays in production and shipments of product due to both the loss of inventory and/or capacity to produce.

Legal risks

We are subject to legal risks related to operations, contracts, relationships and other circumstances under which we may be served with legal claims. Whether or not the claims are legally valid, such claims may result in legal fees, damages, settlement costs and other costs as well as significant time and distraction of management and employees.

Foreign currency and fiscal matters

Our operations, expenditures and revenues are to some extent paid in foreign currencies. As a result, we are exposed to market risks resulting from fluctuations in foreign currency exchange rates. A material drop in the value of any such foreign currency could result in a material adverse effect on our cash flow and revenues. Currently, there are no significant restrictions on the repatriation of capital and distribution of earnings to foreign entities from any of the jurisdictions where we currently operate. There can be no assurance, however, that restrictions on repatriation of capital or distributions of earnings from such jurisdictions will not be imposed in the future. Amendments to current taxation laws and regulations which alter tax rates and/or capital allowances could have a material adverse impact on our business.

To the extent that revenues and expenditures denominated in or strongly linked to the US dollar are not equivalent, we are exposed to exchange rate risk. We are exposed to the extent that US dollar revenues do not equal US dollar expenditures.

We are not currently using exchange rate derivatives to manage exchange rate risks.

Future acquisitions

We may seek to expand our business and capabilities through acquiring compatible technology, products or businesses. There can be no assurance that suitable acquisition candidates can be identified and acquired on favorable terms, or that the acquired operations can be profitably operated or integrated into our operations. To the extent we are successful in identifying suitable companies or products for acquisition, we may deem it necessary or advisable to finance such acquisitions through issuing common shares, securities convertible into common shares, debt financing, or a combination thereof. In such cases, issuing common shares or convertible securities could result in dilution to shareholders at the time of such issuance or conversion. Issuing debt to finance acquisitions may result in, among other things, the encumbrance of certain of our assets, impeding our

ability to obtain bank financing, decreasing our liquidity, and adversely affecting our ability to declare and pay dividends to shareholders.

Forward-Looking Information may prove inaccurate

Prospective purchasers are cautioned not to place undue reliance on the Forward-Looking Information. By nature, Forward-Looking Information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the Forward-Looking Information contained in this AIF or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. See “*Special Note Regarding Forward-Looking Information*”.

Reliance on third parties

We rely on our Distribution Partners and other third-party service providers for certain services critical to our business. If these third parties experience difficulty meeting our requirements or standards, it could make it difficult for us to operate some aspects of our business. In addition, if such third parties were to cease operations temporarily or permanently, face financial distress or any other business disruption, we could suffer increased costs and delays in our ability to operate our business until an equivalent provider could be found, or until we can develop replacement technology or operations. There is no assurance we would be able to do so on acceptable financial terms, or at all. In addition, if we are unsuccessful in choosing high-quality partners or ineffectively manage these partners, it could have an adverse impact on our business and financial performance.

Conflicts of interest

Certain of our directors are engaged and will continue to be engaged in businesses similar to ours and situations may arise where the directors may be in direct competition with our business. Conflicts of interest, if any, which arise will be subject to and governed by the procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with us to disclose his interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

Dividends

We have not declared or paid any cash dividends on the Common Shares to date. Paying dividends in the future will depend on our earnings and financial condition and on such other factors as the Board considers appropriate. Unless and until we pay dividends, Shareholders may not receive a return on their Common Shares. There are no contractual restrictions on our ability to pay dividends, except pursuant to the terms of the Credit Facilities which limit DIRT’s ability to pay any dividends or make any other distribution or payment on account

of or in redemption, retirement or purchase of any capital stock exceeding more than \$1.0 million in the aggregate.

DESCRIPTION OF SHARE CAPITAL

DIRTT is authorized to issue an unlimited number of Common Shares. As of the date hereof, 84,961,444 Common Shares were issued and outstanding. In addition, as of the date hereof, there were Options outstanding to acquire 6,690,468 Common Shares pursuant to the Stock Option Plan.

On January 6, 2017, we announced that we had received approval from the TSX to commence a normal course issuer bid (the “NCIB”) with respect to our Common Shares. The NCIB commenced on January 10, 2017 and will terminate on the earlier of January 9, 2018, the date on which we have purchased the maximum number of Common Shares permitted under the NCIB; or the date on which the NCIB is terminated. Under the NCIB, we may purchase in the normal course through the facilities of the TSX up to 7,141,021 Common Shares. As of the date hereof, we have purchased 134,056 Common Shares at a weighted average price of \$6.70 per Common Share, including brokerage fees, for a total cost of \$0.9 million through the NCIB.

Holders of Common Shares are entitled to vote at meetings of Shareholders on the basis of one vote per Common Share, to receive dividends if, as and when declared by the Board and to receive pro rata the remaining property and assets of DIRTT upon its dissolution or winding-up.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed and posted for trading on the TSX under the symbol “DRT”. The Common Shares began trading on the TSX on November 28, 2013. The following table describes the price range and trading volume of the Common Shares, as reported by the TSX for the periods indicated.

Period	High (\$/share)	Low (\$/share)	Volume
January 2016	6.94	5.32	3,012,400
February 2016	6.80	5.25	2,855,000
March 2016	6.35	5.00	4,230,000
April 2016	5.95	5.18	1,581,100
May 2016	5.50	4.58	4,087,600
June 2016	5.75	5.00	2,264,100
July 2016	6.00	5.23	1,877,100
August 2016	6.02	4.86	3,701,200
September 2016	5.43	4.78	3,007,700
October 2016	5.23	4.78	2,295,200
November 2016	6.00	4.59	3,927,700
December 2016	6.50	5.65	3,727,700

Prior Sales

The following table sets forth, for each class of securities of the Company that is outstanding but not listed or quoted on a marketplace, the price at which securities of the class have been issued during the period from January 1, 2016 to December 31, 2016 and the number of securities of the class issued at that price and the date on which the securities were issued.

Date of Issue	Grant Number and Designation of Securities	Exercise Price
January 2016	2,500 Options	\$6.62
August 2016	5,000 Options	\$5.47
November 2016	1,664,125 Options	\$5.76

DIRECTORS AND EXECUTIVE OFFICERS

Directors and Executive Officers

The following table sets forth the name of each director and executive officer of DIRT, their residence, their position(s) with DIRT, their principal occupations during the preceding five (5) years, the date they first became a director, if applicable, and their Common Share ownership as of the date thereof.

Name and Residence	Position(s)	Principal Occupation(s)	Director Since	Common Shares Held
Mogens Smed Calgary, Alberta, Canada	CEO and Director	From May 2004 to present, CEO of DIRT.	September 2003	492,639
Scott Jenkins Calgary, Alberta, Canada	President and Director	From January 2012 to present, President of DIRT.	September 2013	269,680
Derek Payne Calgary, Alberta, Canada	CFO and Corporate Secretary	From September 2012 to present, CFO of DIRT and from October 2013 to present, Corporate Secretary of DIRT. Prior thereto, from December 2011 to August 2012, Treasurer of PetroWest Corporation, a diversified energy industry service provider.	N/A	25,133
Tracy Baker Calgary, Alberta, Canada	COO	From October 2007 to present, COO of DIRT.	N/A	329,857
Geoff Gosling Calgary, Alberta, Canada	VP, Product Development	From February 2004 to present, VP, Product Development of DIRT.	N/A	924,608
Barrie Loberg Calgary, Alberta, Canada	VP, Software Development	From February 2004 to present, VP, Software Development of DIRT and inventor of ICE.	N/A	335,603
Wayne Boulais ⁽¹⁾ Chicago, Illinois, US	Director	From 2002 to present, General Partner of Apex Ventures Partners, a US-based venture capital firm that has raised and managed more than \$350 million.	May 2015	24,000 ⁽⁴⁾
Gregory F. Burke New York, New York, US	Director	From 1982 to present, President and CEO of Lane Office Furniture,	May 2005	325,500

Name and Residence	Position(s)	Principal Occupation(s)	Director Since	Common Shares Held
Lawrence D. Fairholm (1)(2)(3) Montreal, Quebec, Canada	Director	Inc., a private full service furniture dealership company. From May 1978 to present, President of Fairholm Management Ltd., a private company providing corporate real estate, facilities and management consulting services.	May 2005	41,000
Richard Haray ⁽²⁾ New York, New York, US	Director	From 2005 to present, Senior Vice President, Corporate Services of Interpublic Group	November 2016	Nil
Denise Karkkainen (1)(2)(3) West Vancouver, British Columbia, Canada	Director	From 2013 to present, Corporate Director and Principal of Bravura Business Solutions Inc., a private firm providing governance advisory and strategic project management services. Prior thereto, from 2005 to 2012, Executive Vice President and Secretary of TitanStar Group of Companies, a privately-owned group of companies which invested in businesses and commercial real estate in Canada and the US.	August 2015	15,500
Christine McGinley ⁽¹⁾⁽³⁾ Calgary, Alberta, Canada	Director	From 2010 to present, Corporate Director.	November 2013	9,650
Steve Parry ⁽³⁾ Tiny, Ontario, Canada	Chairman	From July 2013 to present, Executive Chairman of Grenville Strategic Royalty Corp., a Canadian royalty company. Prior thereto, from July 2002 to July 2013, Managing Member of NGEN Partners, a US-based cleantech venture capital firm.	December 2011	13,100
Diana Propper de Callejon ⁽²⁾ New York, New York, US	Director	From April 2014 to present, Managing Director of Cranemere Inc. From July 2012 to March 2014, independent business person and Senior Advisor and Director of Expansion Capital Partners, LLC, a private equity firm focused on clean technology and sustainability investing. Prior thereto, from May 2003 to July 2012, General Partner of Expansion Capital Partners, LLC.	March 2011	14,836

Notes:

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

(3) Member of the Corporate Governance Committee.

(4) Mr. Wayne Boulais is the General Partner of Apex Venture Partners which holds 3,939,925 Common Shares.

Our directors are elected by the Shareholders at each annual general meeting and typically hold office until the next annual general meeting, at which time they may be re-elected or replaced. Casual vacancies on the Board are filled by the remaining directors. Our officers are appointed by the Board and hold office indefinitely at the pleasure of the Board.

As of the date hereof, our directors and executive officers, as a group, beneficially own, or exercise control or direction over, directly or indirectly: (a) 2,821,106 Common Shares, representing approximately 3.3% of the issued and outstanding Common Shares; and (b) 1,883,289 Options.

Biographies

The following is a brief description of the background of the directors and executive officers of the Company.

Directors

Mogens Smed, CEO and co-Founder of DIRT, has more than 42 years of experience in the interior construction industry, including launching and growing SMED International Inc. (“**SMED International**”) into a publicly traded modular interior construction company with over \$300 million in annual revenue and his role as CEO of Evans Consoles Corporation (“**Evans Consoles**”), a private company providing command-control infrastructure solutions. SMED International was sold to Haworth Inc. in 2000.

Scott Jenkins, President of DIRT, has more than 20 years of experience with manufacturing and technology companies along with the financial management industry. Scott was named President of DIRT in 2012 and prior to that served as CFO after joining DIRT in 2007. Scott was previously CFO of Pure Technologies Ltd., an infrastructure monitoring technology company, and Audit Senior with KPMG LLP. Scott is a member of the Chartered Professional Accountants of Alberta.

Wayne Boulais has more than 16 years of technology investing experience where he is currently a General Partner at Apex Venture Partners (“Apex”), a US-based venture capital firm that has raised and managed more than \$350 million in their Fund V and Fund VI. During Wayne’s tenure at Apex, Wayne has sourced or managed 10 investments and served as the board designee of Apex for eight of those investments. Wayne is currently the board designee of Apex for two active investments. Prior to Wayne’s investment experience, Wayne was a principal at Mercer Management Consulting (now Oliver Wyman) in the communications, information and entertainment practice. Before attending business school, Wayne was a senior development engineer at Raytheon Corporation where Wayne led product development efforts for satellite and wireless communication systems. Wayne holds an MBA from the Massachusetts Institute of Technology as well as a Master and Bachelor of Electrical Engineering from the University of Massachusetts.

Gregory Burke has more than 31 years of experience in office furniture, design and construction industries, including his roles as the President and CEO of Lane Office Furniture, Inc., a private full service furniture dealership company and one of DIRT’s distribution partners that sells DIRT’s suite of interior construction solutions, which he joined in 1982 as a member of the sales team. Greg holds a Bachelor of Science

Communications degree from St. John's University and currently serves as a director of several private and non-profit organizations.

Lawrence D. Fairholm has more than 36 years of experience in the office furniture, design, interior construction and real estate industries, including his roles as the President of Fairholm Management Ltd., a private company providing corporate real estate, facilities and management consulting services; the Founder of Buro Décor Inc., a Herman Miller Office Furniture Dealer; the Founder of BDI Facilities Management Inc., a Corporate Interior Design/Project Management company; and the Founder of The Gordian Services Group Inc., a Corporate Real Estate Consulting company. Larry was a member of the Herman Miller Advisory Council. Larry holds a Bachelor of Science degree from the University of Arizona.

Denise Karkkainen has more than 30 years of experience in the commercial real estate industry. She is currently a Corporate Director and Principal of Bravura Business Solutions Inc., a recognized leader in providing governance advisory and strategic project management services. Her past positions include Executive Vice President of TitanStar Properties Inc. and Co-principal of the IAT Group of Companies, where she helped build the Canadian and American business and assisted in taking privately held Canadian real estate assets public by way of the IAT Air Cargo Facilities Income Fund, one of Canada's first income trusts. Denise was also the immediate Past Board Chair for Community Living BC, an \$850 million Crown corporation. Her extensive experience on numerous Boards includes current appointments with the Vancouver Board of Trade and Musqueam Capital Corporation. As a founding director of the BC Provincial Health Services Authority, she participated in the formation of Board governance and as Vice-Chair she helped oversee the creation of an entirely new organization comprising of eight major provincial agencies. She has an ICD.D designation by the Institute of Corporate Directors of Toronto, Ontario.

Christine McGinley has more than 26 years of senior management experience, specializing in the areas of operations, technology and finance, including her most recent role as Senior VP, Operations of Canwest Broadcasting. Chris currently serves as the Vice Chair and member of the Audit Committee and the Governance Committee for Canada Health Infoway, an independent not-for-profit corporation funded by the Federal Government; and a director and Chair of the Audit Committee for Alberta Blue Cross, Alberta's largest benefits carrier. Chris is a trustee and Chair of the Investment Committee and member of the Audit Committee for Northview Apartment REIT, an unincorporated open-end real estate investment trust. Chris holds a Bachelor of Commerce degree from the University of Alberta and has an ICD.D designation by the Institute of Corporate Directors in Toronto, Ontario. Chris is a member of the Chartered Professional Accountants of Alberta.

Steve Parry has more than 27 years of management experience in the mining and finance industries, including his roles as President and CEO of Grenville Strategic Royalty Corp., a public Canadian company providing capital to industrial and technology companies using a royalty-based finance solution; as a Managing Member of NGEN Partners, a US-based cleantech venture capital firm; and as a General Manager, Innovation at BHP Billiton Exploration and Development, a subsidiary of BHP Billiton, the world's largest mining company. Steve is a

professional geologist, holds a Bachelor of Science degree from Queen's University and a Masters in Science degree from the University of Western Ontario and has completed executive education programs at Harvard, Columbia, Wharton and the London Business School. Steve currently serves as President, CEO, Director and Founder of Grenville Strategic Royalty Corp and is a director of Greengate Power Corp, a private Alberta-based company in the renewable energy field. He is a recipient of the Canada 125 Medal for his work on behalf of Canadian resource communities.

Diana Propper de Callejon has more than 21 years of experience in the finance industry, including her roles as Managing Director of Cranemere Inc., a holding company that acquires privately held, middle-market companies in the US and overseas; as the Senior Advisor and Director of Expansion Capital Partners, LLC; a General Partner of Clean Technology Fund II, a private equity firm focused on clean technology and sustainability spanning the energy, water, green building and advanced materials sectors; and as the Founder and Managing Director of EA Capital LLC, a private investment advisory company. Diana holds a Bachelor of Arts degree from Duke University and a Masters in Business Administration degree from Harvard Business School. Diana currently serves as a director of several non-profit organizations and advisory bodies including Echoing Green, which provides fellowships to social entrepreneurs; Capital Institute, a new center of innovation focused on evolving the financial system to align it with the long-term health of ecosystems and societies; and the New York City Accelerator for a Clean and Renewable Economy.

Richard Haray has almost 30 years of experience in the commercial real estate and insurance industries, including his current role as Senior Vice President, Corporate Services of the Interpublic Group, one of the world's leading organizations of advertising agencies and marketing services companies with over 50,000 employees and 450 offices in 120 countries worldwide; as Vice President and Lease Counsel of Rockefeller Center Management Corporation; and as Real Estate Associate at both Shearman and Sterling and Willkie Farr & Gallagher. Richard currently serves as a director of several non-profit organizations including Bryant Park Management Corporation, Regional Plan Association, Fordham University President's Council and James Lenox Association. Richard is a member of CoreNet, a corporate real estate professional organization and CRELC, a corporate leadership group focusing on current real estate issues and trends. Richard holds a Bachelor of Arts degree from St. John's University and a Juris Doctor degree from St. John's University of School of Law.

Executive Officers

Mogens Smed, see "- Biographies – Directors".

Scott Jenkins, see "- Biographies – Directors".

Derek Payne, CFO and Corporate Secretary of DIRT, has more than 23 years of experience in the financial management industry and accountancy profession, including his roles as the Treasurer of Petrowest Corporation, a diversified energy industry service provider; as the CFO of Filterboxx Water & Environmental Corp., a provider of packaged water and wastewater treatment facilities; and as the Treasurer and VP, Finance

and Corporate Services of WestJet Airlines Ltd. Derek is a member of the Chartered Professional Accountants of Alberta.

Tracy Baker, COO of DIRT, has more than 18 years of experience in the financial management industry and accountancy profession, including her roles as a consultant for the TSX Venture Exchange and Veritas DGC, a public oil and gas service company; and as the Senior Manager of Small Business Division at PricewaterhouseCoopers LLP. Tracy has been a part of the DIRT team since 2004. Tracy is a member of the Chartered Professional Accountants of Alberta.

Barrie Loberg, VP, Software Development and co-founder of DIRT, is the inventor of ICE and has more than 23 years of experience in the technology and interior construction industries, including his role as Director of Solutions and Technology of Evan Consoles. Barrie received Alberta Venture's Award for Most Enterprising Employee in 2000 for his role in the implementation of new technologies, including an Automated Proposal Generator.

Geoff Gosling, VP, Product Development and co-founder of DIRT, has more than 23 years of experience in the design and interior construction industries, including his role as Manager of Research and Development at Evans Consoles. Geoff has earned numerous awards for his designs and in 2012 was named one of the Top 10 Most Innovative Product Designers in Healthcare by Healthcare Design Magazine, the industry's foremost publication. Geoff has also taught for several years as Adjunct Professor at the University of Calgary in the Faculty of Environmental Design. Geoff holds a Masters degree in Environmental Design (Industrial Design) from the University of Calgary.

Cease Trade Orders

None of our directors or executive officers are, or has within 10 years prior to the date of this AIF, been a director, CEO or CFO of any company that, (a) while such person was acting in that capacity was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; or (b) was subject to an order that was issued after that person ceased to be a director, CEO or CFO of the relevant company and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO.

Bankruptcies

Except as set forth below, none of our directors or executive officers is, or has within 10 years prior to the date of this AIF, (a) been a director or executive officer of any company that, while such person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or

become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer, as applicable.

Mr. Steve Parry was elected as a director of Energy and Power Solutions, Inc. ("**EPS**") in 2007 as the designee of NGEN Partners. EPS provided energy efficiency solutions to the industrial market. In September 2011, EPS filed for bankruptcy protection pursuant to Chapter 11 of the US Bankruptcy Code. Steve ceased to be a director of EPS in June 2011 and, in January 2012, EPS entered into settlement agreements with NGEN Partners to, among other things, release past and current officers, directors, employees and agents of NGEN Partners. In addition, Steve was elected as a director of Tioga Energy, Inc. ("**Tioga**") and SolFocus, Inc. ("**SolFocus**") as the designee of NGEN Partners. Tioga and SolFocus were providers of photovoltaic solar systems. Tioga and SolFocus conducted an assignment for the benefit of creditors in April 2013 and May 2013, respectively, and Steve ceased to be a director of both Tioga and SolFocus each upon such assignments.

Ms. Christine McGinley was the Senior VP, Operations of Canwest Broadcasting until October 2010. In October 2009, Canwest Broadcasting, along with its principal operating subsidiary Canwest Media Inc., and certain other related entities (including the over-the-air networks and specialty cable channels and the National Post), voluntarily filed for creditor protection from bankruptcy under the Companies' Creditors Arrangement Act (the "**CCAA**"). An order was successfully obtained from the Ontario Superior Court of Justice (Commercial Division) commencing proceedings under the CCAA on October 6, 2009. Canwest Broadcasting successfully emerged from CCAA in October 2010 and was acquired by SHAW Communications.

Mr. Wayne Boulais was elected as a director of BitWave Semiconductor, Inc. ("**BitWave**") and SolFocus as the designee of Apex. BitWave was a fabless radio frequency semiconductor company and SolFocus was a provider of photovoltaic solar systems. BitWave and SolFocus conducted an assignment for the benefit of creditors in May 2010 and May 2013, respectively, and Mr. Boulais ceased to be a director of both BitWave and SolFocus each upon such assignments.

Penalties or Sanctions

None of our directors or executive officers has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority, or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflict of Interest

Certain of our directors and executive officers are also officers and/or directors of other companies engaged in the office and technology business generally. As a result, situations arise where the interests of such directors and executive officers conflict with their interests as directors and officers of other companies. The resolution of

such conflicts is governed by applicable corporate laws, which require that directors act honestly, in good faith and with a view to the best interests of DIRT, the Code and the Board Mandate.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than the patent infringement claims filed against Allsteel Inc. (described below), DIRT is not a party to any legal proceeding nor was a party to, nor is nor was any of its property the subject of any legal proceeding, during the year ended December 31, 2016, nor is DIRT aware of any such contemplated legal proceedings, which involve a claim for damages, exclusive of interest and costs, that may exceed 10% of the current assets of DIRT.

In August 2015, DIRT filed claims against Allsteel Inc. with the Northern District of Illinois seeking damages and an injunction for patent infringement. DIRT is claiming that Allsteel Inc.'s Beyond® products infringe on its patent rights, specifically US Patent Number 8,024,901, which is related to its reconfigurable wall system. As of the date hereof, there has been no significant development with respect to these claims.

During the year ended December 31, 2016, there were no: (i) penalties or sanctions imposed against DIRT by a court relating to securities legislation or by a securities regulatory authority; (ii) penalties or sanctions imposed by a court or regulatory body against DIRT that would likely be considered important to a reasonable investor in making an investment decision; or (iii) settlement agreements DIRT entered into before a court relating to securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There are no material interests, direct or indirect, of directors, senior officers, any securityholders who beneficially own, or control or direct, directly or indirectly, more than 10% of any class of voting securities of DIRT, or any known associates or affiliates of such persons, in any transaction within the last three most recently completed financial years or during the current financial year or in any proposed transaction which has materially affected or would materially affect DIRT.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, DIRT has not entered into any material contract within the most recently completed financial year, on or before the most recently completed financial year that are still in effect.

Copies of all material contracts are available on SEDAR at www.sedar.com.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

Deloitte LLP is the auditor of the Company and is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta. Its offices are located at 700, 850 - 2 Street S.W., Calgary, Alberta T2P 0R8.

Our transfer agent and registrar for the Common Shares is Computershare located at 600, 530 - 8 Avenue S.W., Calgary, Alberta, T2P 3S8.

AUDIT COMMITTEE INFORMATION

The Audit Committee is a committee of the Board established for the purpose of overseeing the accounting and financial reporting process of the company and annual external audits of the consolidated financial statements.

The Audit Committee's Mandate

The Audit Committee has set out its responsibilities and composition requirements in fulfilling its oversight in relation to the company's internal accounting standards and practices, financial information, accounting systems and procedures, which procedures are contained in the Company's Audit Committee Mandate, the full text of which is set out in Schedule "A" attached hereto.

Composition of The Audit Committee

The Audit Committee currently consists of Christine McGinley (Chair), Wayne Boulais, Lawrence D. Fairholm and Denise Karkkainen. The Board has determined that all of the members of the Audit Committee are independent and financially literate as such terms are defined by NI 52-110. For more information with respect to the education and experience of each member of the Audit Committee, see *"Directors and Executive Officers – Biographies."*

External Auditor Service Fees (By Category)

The aggregate fees billed by our external auditors for the year ended December 31, 2016 and 2015 are as follows:

Nature of Services	December 31, 2016	December 31, 2015
Audit Fees (\$) ⁽¹⁾	465,240	518,955
Audit-Related Fees (\$) ⁽²⁾	-	16,801
Tax Fees (\$) ⁽³⁾	49,481	16,050
Total	514,721	551,806

Notes:

⁽¹⁾ Includes the aggregate professional fees paid to the external auditors for the quarterly reviews, audit of the annual financial statements. It also includes the aggregate fees paid to the external auditors for services related to the audit services, including conferring with the Board and Audit Committee regarding financial reporting and accounting standards. It also includes certain fees paid in relation to the secondary offering.

⁽²⁾ Includes the annual Canadian Public Accountability Board assessment fee.

⁽³⁾ Includes the aggregate fees paid to external auditors for tax compliance, tax advice, tax planning and advisory services.

The Audit Committee may adopt specific policies and procedures for the engagement of non-audit services, whereby the Audit Committee can pre-approve such services, as well as establish a threshold amount for fees for non-audit services to be provided by the external auditors without advance approval of the Audit Committee. The Audit Committee has not adopted any such policies and procedures as at the date of this AIF.

ADDITIONAL INFORMATION

Additional information relating to DIRTТ can be found on SEDAR at www.sedar.com. Additional information, including information about the remuneration and indebtedness of our directors and officers, the principal holders of our securities and our securities authorized for issuance under equity compensation plans, will be contained in our information circular for the annual meeting of Shareholders expected to be held on or around May 3, 2017. Additional financial information about DIRTТ is provided for in our financial statements and management's discussion and analysis for the year ended December 31, 2016.

SCHEDULE “A”
AUDIT COMMITTEE CHARTER

A. RESPONSIBILITY

The Audit Committee is responsible for assisting the Board of Directors (the “Board”) of the Company in fulfilling its oversight responsibilities in relation to:

- a) the integrity of the Company’s financial statements;
- b) the Company’s compliance with legal and regulatory requirements related to financial reporting;
- c) the qualifications, independence and performance of the Company’s auditor;
- d) the design, implementation and maintenance of internal controls and disclosure controls; and
- e) any additional matters delegated to the Audit Committee by the Board.

B. MEMBERS

The Board must appoint a minimum of three directors to be members of the Audit Committee. The members of the Audit Committee will be selected by the Board on the recommendation of the Corporate Governance Committee.

All of the members of the Audit Committee will be “independent directors” (“Independent Directors”) as defined in National Instrument 52-110 - Audit Committees, as amended from time to time (“NI 52-110”). In addition, every member of the Audit Committee will be “financially literate” as defined in NI 52-110.

C. DUTIES

The Audit Committee is responsible for performing the duties set out below as well as any other duties that are otherwise required by law or delegated to the Audit Committee by the Board.

1. Appointment and Review of the Auditor

The auditor is ultimately accountable to the Audit Committee and reports directly to the Audit Committee. Accordingly, the Audit Committee will evaluate and be responsible for the Company’s relationship with the auditor. Specifically, the Audit Committee will:

- a) select, evaluate and nominate the auditor to be proposed for appointment or reappointment, as the case may be, by the shareholders;
- b) review and approve the auditor’s engagement letter;
- c) review the independence, experience, qualifications and performance of the auditor, including the engagement and lead partners, in recommending its appointment or reappointment, including considering whether the auditor’s provision of any permitted non-audit services is compatible with maintaining its independence;
- d) resolve any disagreements between senior management and the auditor regarding financial reporting;
- e) at least annually, obtain and review a report by the auditor describing:

- i. the auditor's internal quality-control procedures, including with regard to safeguarding confidential information;
 - ii. any material issues raised by the most recent internal quality control review, or peer review, of the auditor, or review by any independent oversight body, such as the Canadian Public Accountability Board, or governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the auditor, and the steps taken to deal with any issues raised in any such review; and
- f) where appropriate, terminate the auditor.

2. Confirmation of the Auditor's Independence

At least annually, and before the auditor issues its report on the annual financial statements, the Audit Committee will:

- a) review a formal written statement from the auditor describing all of its relationships with the Company;
- b) discuss with the auditor any relationships or services that may affect its objectivity and independence;
- c) obtain written confirmation from the auditor that it is objective within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of Chartered Professional Accountants to which it belongs and is an independent public accountant within the meaning of the Independence Standards of the Canadian Institute of Chartered Accountants; and
- d) confirm that the auditor has complied with applicable rules, if any, with respect to the rotation of certain members of the audit engagement team.

3. Pre-Approval of Non-Audit Services

The Audit Committee will pre-approve the appointment of the auditor for any non-audit service to be provided to the Company. Before the appointment of the auditor for any non-audit service, the Audit Committee will consider the compatibility of the service with the auditor's independence. The Audit Committee may pre-approve the appointment of the auditor for any non-audit services by adopting specific policies and procedures, from time to time, for the engagement of the auditor for non-audit services. Such policies and procedures will be detailed as to the particular service, and the Audit Committee must be informed of each service, and the procedures may not include delegation of the Audit Committee's responsibilities to management. In addition, the Audit Committee may delegate to one or more members the authority to pre-approve the appointment of the auditor for any non-audit service to the extent permitted by applicable law provided that any pre-approvals granted pursuant to such delegation shall be reported to the full Audit Committee at its next scheduled meeting.

4. Communications with the Auditor

The Audit Committee has the authority to communicate directly with the auditor and will meet privately with the auditor periodically to discuss any items of concern to the Audit Committee or the auditor, such as:

- a) the scope, planning and staffing of the audit;

- b) the auditor's materiality threshold for the audit;
- c) the assessment by the auditor of significant audit risk;
- d) any material written communications between the auditor and senior management, such as any management letter or schedule of unadjusted differences;
- e) whether or not the auditor is satisfied with the quality and effectiveness of financial recording procedures and systems;
- f) the extent to which the auditor is satisfied with the nature and scope of its examination;
- g) whether or not the auditor has received the full co-operation of senior management and other employees of the Company;
- h) the auditor's opinion of the competence and performance of the Chief Financial Officer and other key financial personnel;
- i) the items required to be communicated to the Audit Committee under the Canadian authoritative guidance;
- j) critical accounting policies and practices to be used by the Company;
- k) alternative treatments of financial information within generally accepted accounting principles that have been discussed with senior management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor;
- l) any difficulties encountered in the course of the audit work, any restrictions imposed on the scope of activities or access to requested information, any significant disagreements with senior management and their response; and
- m) any illegal act that may have occurred and the discovery of which is required to be disclosed to the Audit Committee.

5. Review of the Audit Plan

The Audit Committee will discuss with the auditor the nature of an audit and the responsibility assumed by the auditor when conducting an audit under generally accepted auditing standards. The Audit Committee will review a summary of the auditor's audit plan for each audit.

6. Review of Audit Fees

The Audit Committee will determine the auditor's fee and the terms of the auditor's engagement. In determining the auditor's fee, the Audit Committee should consider, among other things, the number and nature of reports to be issued by the auditor, the quality of the internal controls of the Company, the size, complexity and financial condition of the Company and the extent of support to be provided to the auditor by the Company.

7. Review of Financial Statements

The Audit Committee will review and discuss with senior management and the auditor the annual audited financial statements, together with the auditor's report thereon, and the interim financial statements, before

recommending them for approval by the Board. The Audit Committee will also review and discuss with senior management and the auditor management's discussion and analysis relating to the annual audited financial statements and interim financial statements. The Audit Committee will also engage the auditor to review the interim financial statements prior to the Audit Committee's review of such financial statements.

Before recommending any financial statements to the Board for approval, the Audit Committee will satisfy itself that such financial statements, together with the other financial information included in the Company's annual and interim filings, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of the relevant date and for the relevant periods.

In conducting its review of the financial statements and related management's discussion and analysis, the Audit Committee will:

- a) consider the quality of, and not just the acceptability of, the accounting principles, the reasonableness of senior management's judgments and estimates that have a significant effect upon the financial statements, and the clarity of the disclosures in the financial statements;
- b) discuss any analyses prepared by senior management or the auditor that set out significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP;
- c) discuss the effect of off-balance sheet transactions, arrangements, obligations (including contingent liabilities) and other relationships with unconsolidated entities or other persons that may have a material current or future effect on the Company's financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues and expenses;
- d) consider any changes in accounting practices or policies and their impact on financial statements of the Company;
- e) discuss with senior management, the auditor and, if necessary, legal counsel, a report from senior management describing any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position of the Company, and the manner in which these matters have been disclosed in the financial statements;
- f) discuss with senior management and the auditor any correspondence with regulators or governmental agencies, employee complaints or published reports that raise material issues regarding the Company's financial statements or accounting policies;
- g) discuss with the auditor any special audit steps taken in light of material weaknesses in internal control;
- h) review the results of the audit, including any reservations or qualifications in the auditor's opinion;
- i) discuss with the auditor any difficulties encountered in the course of the audit work, including any restrictions on the scope of their procedures and access to requested information, accounting adjustments proposed by the auditor but were "passed" (as immaterial or otherwise), and significant disagreements with senior management;

- j) discuss with the auditor any issues on which the Company's audit team consulted the auditor's national office;
- k) review disclosure requirements for all related party transactions; and
- l) consider any other matter which in its judgment should be taken into account in reaching its recommendation to the Board concerning the approval of the financial statements.

8. Review of Other Financial Information

The Audit Committee will review:

- a) all earnings news releases and other news releases containing financial information, as well as financial information and earnings guidance provided to analysts and rating agencies. The Audit Committee will also review the use of "pro forma" or "adjusted" non-GAAP information in such news releases and financial information. Such review may consist of a general discussion of the types of information to be disclosed or the types of presentations to be made;
- b) all other financial statements of the Company that require approval by the Board before they are released to the public, including, without limitation, financial statements for use in Core Documents (as defined in the Company's Disclosure Policy) and financial statements required by regulatory authorities;
- c) the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements; and
- d) disclosures made to the Audit Committee by the Chief Executive Officer and Chief Financial Officer during their certification process for applicable securities law filings about any significant deficiencies and material weaknesses in the design or operation of the Company's internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information, and any fraud involving senior management or other employees who have a significant role in the Company's internal control over financial reporting.

9. Relations with Senior Management and other Board Committees

The members will periodically meet privately with senior management to discuss any areas of concern to the Audit Committee or senior management.

The Audit Committee will provide input to the Compensation Committee on the competence and performance of the Chief Financial Officer and will provide input to the Chief Financial Officer on the competence and performance of other key financial personnel.

The Audit Committee will meet with the Disclosure Committee as reasonably required to allow both committees to fulfill their respective mandates, and to ensure that all public disclosure of financial information (including annual and interim financial statements and management's discussion and analysis related thereto, and all news releases containing financial information) are approved by the Audit Committee prior to public disclosure.

Members of the Audit Committee will also consult with the Disclosure Committee when requested in connection with making materiality determinations relating to DIRT's disclosure obligations.

10. Oversight of Internal Controls and Disclosure Controls

The Audit Committee will review with senior management the adequacy of the internal controls and procedures that have been adopted by the Company to safeguard assets from loss and unauthorized use and to verify the accuracy of the financial records. The Audit Committee will review any special audit steps adopted in light of material control deficiencies.

The Audit Committee will review with senior management the controls and procedures that have been adopted by the Company to confirm that material information about the Company and its subsidiaries that is required to be disclosed under applicable law or stock exchange rules is disclosed.

11. Legal Compliance

The Audit Committee will review with legal counsel any legal matters that could have a significant effect on the Company's financial statements. It will also review with legal counsel material inquiries received from regulators and governmental agencies and advise the Board accordingly.

12. Risk Management

The Audit Committee will oversee the Company's risk assessment and management function and, on a quarterly basis, will review a report from senior management describing the major financial (including taxation matters), legal, operational and reputational risk exposures of the Company and the steps senior management has taken to monitor and control such exposures, including the Company's policies with respect to monitoring risk assessment and managing and controlling risks.

At least annually, the Audit Committee will meet separately with members of senior management and, if desired by the Audit Committee and/or the Company's auditors, to assess the Company's risk assessment and management policies and practices, including an assessment of the Company's most significant areas of risk and the Company's plans to monitor and manage those areas of risk (including the Company's insurance relating thereto).

Periodically and no less than every two years, the Audit Committee will review and advise the Board with respect to the Corporation's Directors' and Officers' liability insurance.

13. Taxation Matters

The Audit Committee will review with senior management the status of taxation matters of the Company. The Audit Committee will also review a report from senior management confirming that the Company has withheld or collected and remitted all amounts required to be withheld or collected and remitted by it in respect of any taxes, levies, assessments, reassessments and other charges payable to any governmental authority.

14. Employees of the Auditor

The Audit Committee will pre-approve the hiring by the Company of any partners or employees or former partners or employees of the auditor.

15. Conduct and Ethics

On a quarterly basis, the Audit Committee Chair will review all expenses incurred by the Chair of the Board and the Chair of the Board will review all expenses incurred by the Chief Executive Officer, the President, and all other directors.

16. Complaints Procedure

The Audit Committee will review the procedures established in the Company's Integrity Policy for the receipt, retention and follow-up of complaints received by the Company on a confidential and anonymous basis regarding the following:

- a) any complaint regarding accounting, internal controls, disclosure controls or auditing matters;
- b) any good faith concerns regarding questionable accounting or auditing matters;
- c) any actual or apparent violation of the Company's Disclosure and Insider Trading Policy; and
- d) any actual or apparent violation of the Company's Code of Conduct – The Way We Do Business.

The Audit Committee Chair is responsible for investigating and resolving all complaints or concerns submitted under the Integrity Policy. At his/her discretion, he/she shall advise the Chief Executive Officer, the President, the Chief Financial Officer and/or the Audit Committee of complaints or concerns received, prior to the date of his/her final report.

17. Reporting

The Audit Committee will regularly report to the Board on:

- a) the auditor's independence;
- b) the performance of the auditor and the Audit Committee's recommendations regarding its reappointment or termination;
- c) the adequacy of the Company's internal controls and disclosure controls;
- d) its recommendations regarding the annual and interim financial statements of the Company, including any issues with respect to the quality or integrity of the financial statements;
- e) its review of the annual and interim management's discussion and analysis;
- f) the Company's compliance with legal and regulatory requirements related to financial reporting;
- g) the Company's risk assessment and management policies and practices; and
- h) all other significant matters it has addressed and with respect to such other matters that are within its responsibilities.

D. MEETINGS

Subject to the Company's by-laws and articles and the requirements under the Business Corporations Act (Alberta):

1. Scheduling

The Audit Committee will meet at least four (4) times annually or more frequently as it determines is necessary to fulfill its responsibilities, which will be not less than four times a year. A meeting of the Audit Committee may be called by the Chair of the Audit Committee, the Chair of the Board, the Chief Executive Officer, the President, the Chief Financial Officer, any Audit Committee member or the Company's auditor. Meetings will be held at a location determined by the Chair of the Audit Committee.

2. Notice

Notice of the time and place of each meeting will be given to each member either by telephone or other electronic means not less than 48 hours before the time of the meeting. Meetings may be held at any time without notice if all of the members have waived or are deemed to have waived notice of the meeting. A member participating in a meeting will be deemed to have waived notice of the meeting.

3. Agenda

The Chair of the Audit Committee will preside as Chair of each meeting and will establish the agenda for each meeting and lead discussion on meeting agenda items. The Chair shall instruct management to circulate properly prepared agenda materials to Committee members with sufficient time to review prior to scheduled meetings. Any member may propose the inclusion of items on the agenda, request the presence of or a report by any member of senior management, or at any meeting raise subjects that are not on the agenda for the meeting.

4. Distribution of Information

The Chair of the Audit Committee will distribute, or cause the Secretary to distribute, an agenda and meeting materials in advance of each meeting to allow members sufficient time to review and consider the matters to be discussed.

5. Attendance and Participation

Each member is expected to attend all meetings. A member who is unable to attend a meeting in person may participate by telephone or teleconference.

6. Quorum

A majority of members will constitute a quorum for any meeting of the Audit Committee.

7. Voting and Approval

At meetings of the Audit Committee, each member will be entitled to one vote and questions will be decided by a majority of votes. In case of an equality of votes, the Chair of the Audit Committee will not have a second or casting vote in addition to his or her original vote.

8. Procedures

Procedures for Audit Committee meetings will be determined by the Chair of the Audit Committee unless otherwise determined by the by-laws of the Company or a resolution of the Audit Committee or the Board.

9. Transaction of Business

The powers of the Audit Committee may be exercised at a meeting where a quorum is present in person or by telephone or other electronic means, or by resolution in writing signed by all members entitled to vote on that resolution at a meeting of the Audit Committee.

10. Absence of Chair

In the absence of the Chair of the Audit Committee at a meeting of the Audit Committee, the members in attendance must select one of them to act as chair of that meeting.

11. Secretary

The Audit Committee may appoint one of its members or any other person to act as secretary.

12. Minutes of Meetings

A person designated by the Chair of the Audit Committee at each meeting will keep minutes of the proceedings of the Audit Committee and the Chair will cause the Secretary to circulate copies of the minutes to each member on a timely basis.

E. CHAIR

Each year, the Board will appoint one member to be Chair of the Audit Committee. If, in any year, the Board does not appoint a Chair of the Audit Committee, the incumbent Chair of the Audit Committee will continue in office until a successor is appointed.

F. REMOVAL AND VACANCIES

Any member may be removed and replaced at any time by the Board, and will automatically cease to be a member as soon as the member ceases to meet the qualifications set out above. The Board will fill vacancies on the Audit Committee by appointment from among qualified members of the Board. If a vacancy exists on the Audit Committee, the remaining members will exercise all of its powers so long as a quorum remains in office.

G. ASSESSMENT

At least annually, the Corporate Governance Committee will review the effectiveness of the Audit Committee in fulfilling its responsibilities and duties as set out in this Charter and in a manner consistent with the mandate adopted by the Board.

H. REVIEW AND DISCLOSURE

The Audit Committee will review this Charter at least annually and submit it to the Corporate Governance Committee together with any proposed amendments. The Corporate Governance Committee will review the Charter and submit it to the Board for approval with such further amendments as it deems necessary and appropriate.

This Charter will be posted on the Company's website and the annual report of the Company will state that this Charter is available on the website or is available in print to any shareholder who requests a copy.

I. ACCESS TO OUTSIDE ADVISORS AND RECORDS

The Audit Committee may retain any outside advisor at the expense of the Company at any time and has the authority to determine any such advisor's fees and other retention terms.

The Audit Committee, and any outside advisors retained by it, will have access to all records and information relating to the Company which it deems relevant to the performance of its duties.